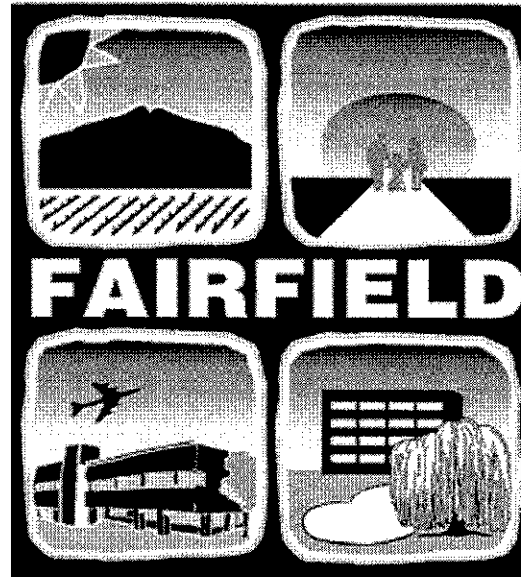


HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield, California

Comprehensive Annual
Financial Report

For the Fiscal Year Ended
June 30, 2003

Prepared by City of Fairfield Finance Department
Telephone: (707) 428-7569 * Fax: (707) 428-7597

City of Fairfield

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City of Fairfield

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City of Fairfield

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HEART OF SOLANO COUNTY



C A L I F O R N I A



CITY OF FAIRFIELD

Founded 1856

Incorporated December 12, 1903

October 27, 2003

Home of
Travis Air Force Base

COUNCIL

Mayor
Karin MacMillan
707.428.7395

Vice-Mayor
Harry T. Price
707.429.6298

Councilmembers
707.429.6298

Jack Batson

John English

Marilyn Farley

...

City Manager
Kevin O'Rourke
707.428.7400

...

City Attorney
Greg Stepanich
707.428.7419

...

City Clerk
Gina Merrell
707.428.7384

...

City Treasurer
Oscar G. Reyes, Jr.
707.428.7497

DEPARTMENTS

Community Services
707.428.7465

...

Finance
707.428.7496

...

Fire
707.428.7375

...

Human Resources
707.428.7394

...

Planning &
Development
707.428.7461

...

Police
707.428.7551

...

Public Works
707.428.7485

Honorable Mayor and City Council City of Fairfield, California

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Fairfield (the City) for the fiscal year ended June 30, 2003. State law requires that all general-purpose local governments publish a complete set of financial statements presented in conformity with general accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants.

NEW REPORTING MODEL

In June 1999, the Governmental Accounting Standards Board (GASB) issued its Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," which significantly revises the City's financial reporting requirements. Governments comparable in size to the City of Fairfield were required to implement GASB Statement No. 34 for the fiscal year ended June 30, 2002.

The CAFR is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the City's organizational chart and a list of municipal officers. The financial section includes management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. Information related to the single audit, including the schedule of federal financial assistance, findings and recommendations, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in the single audit section of this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds and account groups of the City. It reports all activities considered to be a part of, controlled by, and dependent on the City. Accordingly, this report includes the financial activities of the Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District), the Fairfield Sewer Facilities Improvement District No. 1 (the Sewer Improvement District), the Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District), the Fairfield Redevelopment Agency (the Agency), the Housing Authority of the City of Fairfield (the Housing Authority), the Fairfield

Public Improvement Corporation (the Corporation), the Fairfield Public Financing Authority (the Financing Authority), the Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Improvement District), and the Fairfield Community Facilities Districts (the Community Facilities Districts).

Fairfield is a general law city and operates under a Council-Manager form of government. The City provides a full range of municipal services, including police, fire, water, public transportation, streets and highways, housing assistance, cultural and recreation facilities, social services, golf course, public works and parks, planning, redevelopment, economic development, and general administration. Sewer service is provided by agreement with the Fairfield-Suisun Sewer District, which operates and maintains interceptors and the treatment plant, while the City maintains local collector sewers.

CITY MANAGEMENT

Fairfield has benefited from stability of leadership and experience. Karin MacMillan was elected Mayor in 2001 and has served on the City Council since 1995. Kevin O'Rourke has been City Manager since 1997, and has another 16 years of prior city manager experience with the cities of Stanton and Buena Park. He served a term as a Vice-President of the International City Management Association from 2000-2003, and was just elected to the board of directors of the League of California Cities. City Attorney Greg Stepanicich has served the City since 1997. The other members of the executive management team average 16.3 years of service with the City.

The City has developed a reputation for progressive and business-like management that in past years has earned it statewide and national recognition for its financial management and entrepreneurial orientation. Its leadership has stressed long-term planning and the ability to turn fiscal and other challenges into opportunities. The need for a businesslike outlook becomes ever more critical as other traditional sources of government revenues, such as state subvention and property tax allocations, are eliminated or curtailed. The City's long-term financial health is dependent on taking an active economic development role to create large and stable sources of revenue to provide a high level of service required by a growing community in an efficient and cost-effective manner.

There has long been a strong focus on sound management of the City's financial resources to permit flexibility and to preserve the City's good reputation in financial markets. In 1981 the Assembly Office of Research cited Fairfield as having maintained "a very healthy fiscal position" post-Proposition 13. In 1982 the *Wall Street Journal* stated in a feature article on the City: "Perhaps no city, though, has been as enterprising as Fairfield." The *New York Times* in 1987 called Fairfield "one of the first and most aggressive practitioners of government entrepreneurship." The California Taxpayers Association calls Fairfield's financial system "a pioneering method of government budgeting founded on incentives." This budgeting system won former long-time City Manager B. Gale Wilson the Outstanding Management Innovation Award in 1980 from the International City Management Association. Fairfield was awarded the prestigious Helen Putnam Award for Excellence by the League of California Cities for its assistance to the neighboring city of Rio Vista during that city's financial crisis in the spring of 1987. The City was cited extensively in the 1992 best-selling book "Reinventing Government."

CITY ACCOMPLISHMENTS AND INITIATIVES

The Council adopted the following items as its priorities for fiscal year 2002/03 at last year's goal-setting session. Here is the progress made during the last fiscal year on each item:

- **Utility Users Tax Election** — The goal is to preserve the current 2% utility users tax and its \$3 million annual revenue. Due to a California Supreme Court decision, Fairfield was one of many cities required to secure voter approval to continue levying a tax originally imposed by the City Council after 1986. Measure H on the November 2002 ballot passed with a 58% Yes vote.
- **Transportation Issues** — The goal is to relieve traffic congestion and improve traffic safety. The City received citizen support for the I-80/680 project and initiated an environmental impact report for I-80/680 and the North Connector with the Solano Transportation Authority (STA), and completed a regional Solano/Napa traffic-forecasting model and conducted traffic analyses for STA and Caltrans. During lobbying trips to Washington, the City also raised the awareness of Congress for the need for federal funding of these projects. The City acquired the Cordelia Truck Stop property, retaining seven of

the 23 acres for future right-of-way for transportation improvements. Design for the traffic signal preemption project was completed, and a traffic safety committee formed between the City and school district. Design was also completed for 240 additional parking spaces at the Fairfield Transportation Center.

- **Growth Issues** — The goal is to adopt a new General Plan that reduces overall growth and urban sprawl. The new General Plan and environmental impact report were adopted and avoided legal challenge. The City completed the Travis AFB enhancement plan with a State grant, and, in conjunction with other jurisdictions in Solano County, has hired an advocate to work exclusively on preserving the base during the upcoming 2005 Base Realignment and Closure process.
- **Open Space** — The goal is to promote the preservation of open space and secure a funding mechanism to acquire and maintain it. Council approved \$100,000 in local matching funds toward the Tri-City and County Cooperative Planning Group's effort to purchase the 1,362-acre Eastern Swett Ranch in the Cordelia hills west of Fairfield. The City has budgeted \$50,000 annually for open space maintenance costs, and funds a full-time park ranger to monitor these areas.
- **Revenue Generation** — The goal is to promote economic development to bring in new businesses and increase City tax revenues. The Redevelopment Agency approved a contract with the new 150-room Hilton Garden Inn to begin a self-funded Fairfield Tourism Promotion Agency.
- **80-to-80 Corridor** — The goal is to provide downtown revitalization with an aggressive and creative focus on the whole length of West Texas-Texas-North Texas, dubbed the "80-to-80 corridor." The City received a Transportation for Livable Cities (TLC) grant to retain a consulting firm to prepare a master plan for streetscape improvements for the West Texas Corridor. In downtown, the Agency assisted Solano County in preparing a master plan for the new seven-story County Government Center, with parking garage and public plaza, which will expand the number of jobs in the downtown area; construction began in mid-2003. The Agency completed a sublease of the old Salvation Army building and renovation of the building is underway. In addition, a new downtown commercial building acquisition and rehab loan program was adopted that is assisting the reuse of two buildings.
- **Workforce Housing** — The goal is to develop a housing strategy that supports affordable housing for working people. The Ellsworth Court project (now called Providence Walk) will be a 107-unit project with 40% of the units targeted as affordable workforce housing. Both the Siena project in North Cordelia (152 units) and the Whitney Park project (135 units) east of Peabody Road are single-family projects currently under construction that include 10% of the units for moderate-income households. A small infill project at the curve of Tabor Avenue, includes five affordable single-family homes, targeted to first-time homebuyers. The 157-unit Hidden Meadows development contains 53 innovative second units ("granny flats"). The Gateway Village apartment project on Pennsylvania Avenue is 100% for lower income renters, and recently had extensive rehabilitation. The 8-unit mixed-use Jackson Street project in the downtown has been completed. Finally, the Council held a study session on the issue of an inclusionary housing ordinance.
- **City Staffing** — The goal is to retain key City staff and maintain adequate staffing levels to provide quality services. The Human Resources Department held succession-planning workshops for 50 managers and supervisors. The Council approved the hiring of 15 additional police officers and five non-sworn support staff to respond to workload increases and community concerns over public safety.

On January 6 and 13, 2003, the City Council held facilitated sessions to set goals for the coming year. The following were the major priorities for the coming year:

- **Budget** - managing labor cost increases and the expected State Budget take-away of local revenue, and adopting a Budget Recovery Plan;
- **Transportation** - pursuing I-80/680 congestion relief, local traffic calming measures and school safety, and enhancing transit service;

- **Housing** - following "smart growth" policies in local planning, working for Travis AFB protection, and an increase of affordable housing;
- **Public Safety** - increasing Police staffing levels, improving park security, reducing red-light running, and securing interagency cooperation and outside funding for homeland security issues such as hazardous materials response, radio interoperability and training.

ECONOMIC CONDITION AND OUTLOOK

General Economic Overview

The national economy is recovering from the recession that started in 2000 with a technology sector meltdown that led to major job and stock market losses. Real gross domestic product (GDP) grew by 2.4% in 2002, however, this growth came mostly from increased worker productivity and extended hours, as opposed to increases in jobs. This has been termed a "jobless recovery," with a net loss of 180,000 jobs nationally in 2002, as businesses reduced payrolls to cut costs and increase profits. Likewise, California's economy struggled in 2002, with a 0.6% decline in wage and salary employment. Hardest hit was the manufacturing sector, which lost 250,000 jobs between early 2000 and the end of 2002, half of which were in computer-related industries. There is a marked difference between regions, with job losses centered in the Bay Area and Silicon Valley. As of early 2003, the California Legislative Analyst's Office (LAO) predicted very sluggish growth continuing through mid-2003, before improving in the second half of 2003 and in 2004. The LAO forecast assumed inflation would remain under 3%, that taxable sales growth would recover from a negative 1.5% in 2002 to 3.6% in 2003 and 6.5% in 2004, and that housing sales and construction would remain strong. This forecast is in line with the UCLA Anderson School's California Forecast, and the "Blue Chip Consensus," a survey of 50 national firms. City staff feels our revenue forecast is appropriate given this range of views on the short-term economic outlook.

Local Growth Projections

The number of new homes is a good indicator of growth in the City's population, which directly results in increased demands for infrastructure and government services. The City issued 786 permits for new units in calendar year 2002, compared to 1,106 in 2001, which was the highest since 1989. Many of these units were in subdivisions planned 15 years ago, but which were delayed until the strong real estate market of the past few years. Permits for new housing units have averaged 723 annually over the past five years, which is very consistent with the average of 737 over the past 20 years. The longer-term forecast assumes an average of 790 new units per calendar year from 2003 through 2011. In the latter years, a greater proportion of new units are projected for the newly developing Northeast area, as opposed to Central Fairfield and Cordelia.

The City has also maintained strong levels of commercial and industrial construction, which is consistent with the General Plan policy to increase the ratio of jobs to housing over the next thirty years. Permits for commercial and industrial development have averaged 766,000 square feet annually over the past five years, and 650,000 annually over the past 20 years. Available commercial and retail properties are expected to build out by 2007, which will shift the bulk of future development to industrial property. Future construction is projected to average 707,000 square feet annually from 2003 through 2011.

The Association of Bay Area Governments (ABAG) prepares a report every two years that forecasts growth throughout the nine-county San Francisco Bay Area. ABAG sees Solano County as the fastest growing county in the Bay Area over the next 20 years, and Fairfield as the leader in projected population and job growth within the county. The following charts compare actual and projected population and employment levels from 1990 to 2020 from ABAG's *Projections 2002* report.

PROJECTED DEMOGRAPHIC CHANGE IN BAY AREA COUNTIES FROM 2000-2025							
Population		Households		Employed Residents		Total Jobs	
Solano	45%	Solano	47%	Solano	68%	Solano	52%
Sonoma	29%	Napa	35%	Sonoma	41%	Napa	52%
Napa	32%	Sonoma	29%	Contra Costa	40%	Sonoma	39%
Contra Costa	28%	Contra Costa	29%	Alameda	36%	Contra Costa	37%
Santa Clara	23%	Santa Clara	23%	Napa	32%	Alameda	35%
Alameda	19%	Alameda	17%	Santa Clara	24%	Marin	33%
San Mateo	15%	Marin	14%	Marin	17%	Santa Clara	28%
Marin	14%	San Mateo	14%	San Mateo	17%	San Mateo	27%
San Francisco	5%	San Francisco	6%	San Francisco	6%	San Francisco	21%

PROJECTED DEMOGRAPHIC CHANGE IN SOLANO COUNTY FROM 2000-2025							
Population		Households		Employed Residents		Total Jobs	
Fairfield	52,400	Fairfield	16,830	Fairfield	36,200	Fairfield	23,220
Vacaville	44,400	Vacaville	15,190	Vacaville	30,100	Vallejo	16,430
Vallejo	27,600	Vallejo	10,090	Vallejo	23,700	Vacaville	11,880
Rio Vista	18,500	Rio Vista	7,230	Rio Vista	8,400	Suisun City	4,230
Dixon	12,600	Dixon	4,080	Dixon	7,300	Dixon	3,580
Suisun City	9,200	unincorporated	3,740	unincorporated	6,400	Benicia	3,050
unincorporated	9,000	Suisun City	2,460	Suisun City	6,100	Rio Vista	1,460
Benicia	3,200	Benicia	1,310	Benicia	4,400	unincorporated	240

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the Finance staff of the City. In management's opinion, the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Also, the results of the City's single audit for the fiscal year ended June 30, 2003, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. Budgetary control is maintained at the department level for administrative and operating expenditures and at the project budget level for capital improvements. For the administrative and operating budgets, the line-item budget authority is delegated to department managers. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. For the last sixteen fiscal years, the City has adopted an annual budget with a

ten-year financial plan. The integration of the financial activities of the various agencies is accomplished through the budget process, pooling of cash for investments, centralized cash receipting, cash disbursement and purchasing and the preparation of audited financial statements. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

Cash Management

The cash and investments of both the City and its affiliated agencies are managed on a pooled basis. The average investment portfolio was \$205 million in fiscal year 2002/03. Investments consisted primarily of short-term certificates of deposit, commercial paper, U.S. Government and U.S. Government Agency Securities, corporate notes, repurchase agreements and the Local Agency Investment Fund (LAIF) managed by the Treasurer of the State of California. These investments are allowed under an investment policy adopted by the City Council, which defines eligible investments and maturities of the City's investment portfolio, and requires securities to be held by the City or by a qualified custodial institution and registered in the name of the City. The annualized return on pooled investments in 2002/03 was 3.42%, the average maturity was 1.47 years, and total interest earned was \$7,011,000. Approximately \$97.5 million in market value of the portfolio is managed by outside investment managers with the remaining balance of the portfolio managed by the City.

Risk Management

The City is self-insured for the first \$500,000 of general liability and first \$1,000,000 of workers' compensation claims. Reserves are accumulated within the City's insurance funds to meet potential losses. As protection against catastrophic loss, the City obtains commercial insurance for property claims. Excess loss coverage through the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency, provides up to \$24,500,000 for excess general liability coverage. The Fairfield Housing Authority is insured by the Housing Authority's Risk Retention Pool (HARRP). Finally, the City purchases excess workers' compensation insurance (up to \$55,000,000 per occurrence) from the commercial insurance market.

Appropriations Limit

Proposition 4, the "Gann" initiative, was passed by California voters in 1978 and is intended to limit government appropriations. The appropriations limit is calculated each year based upon fiscal year 1978/79 appropriations, which are modified by the composite consumer price index and population changes which have occurred in subsequent years. The City's appropriations limit and the estimated appropriations subject to limit for fiscal year 2002/03 amounted to \$109,728,000 and \$38,952,000, respectively. City appropriations subject to the limit have consistently remained 40% or less of the limit itself, and are not expected to deviate from this trend in the foreseeable future. The Redevelopment Agency and Housing Authority appropriations are not subject to the above limitations.

INDEPENDENT AUDIT AND FINANCIAL REPORTING AWARDS

Caporicci & Larson, an independent public accounting firm have examined the financial statements of the City and its affiliated agencies. Their opinion on the City's financial statements and supplemental information is included within this report.

- **GFOA Certificate of Achievement Award** — The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fairfield for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002, marking the fourteenth time Fairfield has received this award in the past fifteen years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

- **CSMFO Certificate of Award for Outstanding Financial Reporting** — The California Society of Municipal Finance Officers awarded a Certificate of Award for Outstanding Financial Reporting to the City of Fairfield for its CAFR for the fiscal year ended June 30, 2002, the sixteenth consecutive year this award has been received. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the City's annual financial statements.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the efficient and dedicated services of all the employees of the Fairfield Finance Department. We would like to express our special appreciation to the team that worked hundreds of hours between them to prepare this document, headed by Accounting Officer Arvinda Krishnan, with Principal Accountant Michael Less, Senior Accountants Norman Veloso and Joann Alcorido, Accountant II Myles Dixon, and Finance Technician Dave Benson. Special assistance was provided by City Treasurer/Assistant Finance Director Oscar Reyes, Jr., Chief Information Officer Laura Peabody, Financial Services Manager David Creighton, Revenue Officer Geri Martin, and Financial Services Supervisor Wade Brown. We would also like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kevin O'Rourke
City Manager



Robert C. Leland
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfield,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2001-2002

Presented to the

City of Fairfield

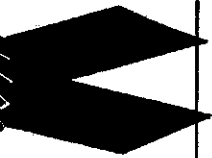
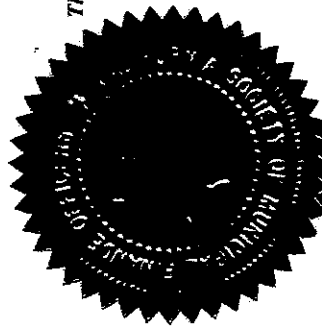
This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.

February 24, 2003

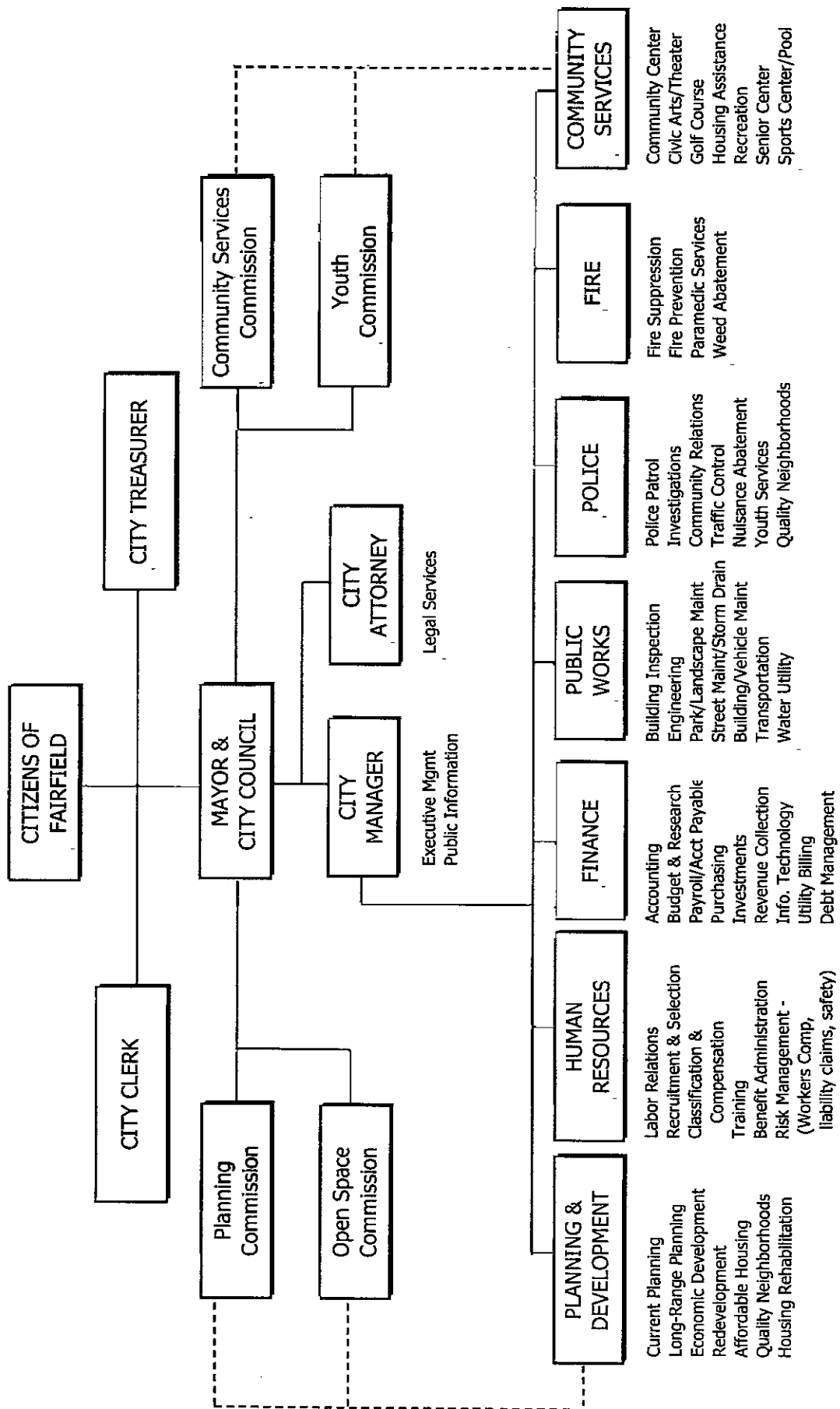
Bret M. Plimlee

Chair, Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



CITY OF FAIRFIELD ORGANIZATION CHART



MISSION STATEMENT

We are committed to responding to the changing needs of our community, to providing superior quality public service, and to creating a distinctive place to live through innovation, professionalism and efficient use of resources.

CITY VALUES

WE VALUE TRUST

- We are committed to uncompromised honesty and integrity in all our actions.
- We believe our actions should be reliable, dependable, and consistent.
- We want teamwork and a spirit of cooperative effort.
- We strive for a record of honesty, fairness and approachability.

WE VALUE QUALITY

- We strive for excellence, professionalism and pride in everything we do.
- We believe in providing the best quality of service and facilities.
- We expect quality from employees, vendors and contractors.

WE VALUE INNOVATION

- We have a bias for action and support reasonable risk-taking
- We strive to recognize and take advantage of any opportunity that arises.
- We encourage fiscal innovation that creates new revenue sources.
- We accept that innovators have their share of failures.

WE VALUE THE WORTH OF THE INDIVIDUAL

- We respect individuals and are sensitive to their needs.
- We are committed to fair treatment of people.
- We seek ideas and participation from all levels.
- We encourage individual initiative and acceptance of responsibility.

WE VALUE EFFECTIVE SERVICE

- We believe in timely, efficient and effective public service.
- We set trends and provide leadership in municipal services.
- We conduct sound and prudent financial operations.
- We take pride in conserving public resources.
- We place a high value on cooperation with other public and private entities but will not sacrifice the best interest of the citizens of Fairfield.

WE VALUE FUTURE ORIENTATION

- We want to make decisions that will endure the test of time.
- We want to control our own destiny.
- We will foster economic success in the private sector and develop new resources in the public sector.
- We will promote the City's financial security and independence.
- We strive for economic development, employment, housing diversification, cultural and leisure opportunities
- We want to build a place you would like to live in.

MUNICIPAL OFFICERS

CITY COUNCIL (Elected)

Karin MacMillan	Nov 8 2005
Harry T. Price	Nov 8 2005
Jack Batson	Nov 4 2007
John English	Nov 8 2005
Marilyn Farley	Nov 4 2007

Term Expires

Youth Commission (appointed)

Meets 1st Sunday & 3rd Monday, 7:00 p.m.

Council Chamber - Civic Center

Timmy Bishop

Jennifer Goza

Courtney Burgess

Timothy Eng

Celeste Fuller

Johanna Garcia

Kathleen Hall

Nicole Haste

Joseph Manibusan

Camilla Hawthorne

Natalie Jansen

Latoya Roberson

Christian Tabing

Robert Zahradka

Mallorie Villanueva

REDEVELOPMENT AGENCY (Council Members)

HOUSING AUTHORITY

(Council plus 2 public members)

Larklyn Knox	Jun 30 2005
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Julia Harris	Jul 15 2007
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(Council/Agency meets 1st and 3rd Tuesday, 7:00 p.m.)

Council Chambers, Civic Center)

(Housing Authority meets as needed)

CITY CLERK (Elected)

Arletta Cortright

Nov 4 2007

CITY TREASURER (Elected)

Oscar G. Reyes, Jr.

Nov 4 2007

PLANNING COMMISSION (Appointed)

Vacant	Jun 30 2004
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Bernard Benshoof (unexpired)	Jun 30 2004
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Stan Silverman	Jun 30 2006
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Monroe Byron	Jun 30 2007
--------------	-------------

Lynn Rogers	Jun 30 2006
-------------	-------------

Thomas Mattis	Jun 30 2005
---------------	-------------

Liesa Houdashelt	Jun 30 2007
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APPOINTED OFFICIALS

City Manager

City Attorney

Kevin O'Rourke

Greg Stepanicich

DEPARTMENT HEADS

Planning and Development

Finance

Public Works

Police

Fire

Community Services

Human Resources

Sean Quinn

Bob Leland

Charlie Beck

Bill Gresham

Michael Smith

John DeLorenzo

Barbara Dillon

COMMUNITY SERVICES COMMISSION (Appointed)

Samuel Roberson	Dec 31 2002
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Verna Brooks	Dec 31 2005
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Dana Kennedy	Dec 31 2004
--------------	-------------

Muffy Jordan	Dec 31 2002
--------------	-------------

Maggie Halls	Dec 31 2005
--------------	-------------

Peter Gaudet	Dec 31 2004
--------------	-------------

Sharon Wellins	Dec 31 2004
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairfield, California (City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has

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180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
3148-D Airway Avenue
Costa Mesa, California 92626

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
600 "B" Street, Suite 1900
San Diego, California 92101

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California
Page 2

been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carlson

Oakland, California
October 27, 2003

City of Fairfield

**Management's Discussion and Analysis
For the Year Ended June 30, 2003**

This discussion and analysis of the City of Fairfield's (City's) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

A. FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$332.6 million. Of this amount, \$121.2 million may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$75.6 million. Approximately 27% of the combined fund balance, \$20.8 million, is considered unreserved and is available for spending at the City's discretion.
- The City's total debt decreased minimally by \$11.9 million during the current fiscal year. The decrease is the net result of normal amortization of the debt.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which consists of three parts: (1) Government-Wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. The financial statements presented herein include all of the activities of the City and its component units using the integrated approach as prescribed by GASB Statement No. 34.

Government-Wide Financial Statements

The Government-Wide Statements provide readers with a broad view of the City's finances, using the economic resources measurement focus and accrual basis of accounting. These accounting methods are similar to those used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Increases or decreases in the City's net assets over time are one indicator of whether its financial health is improving or deteriorating.

In these statements City activities are separated into two categories:

- **Governmental activities**—Most of the City's basic services are reported in this category, including administration, human resources, finance, housing programs, police, fire, public works, planning and development, community services, and redevelopment. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants are among the revenues that finance these activities.
- **Business-type activities**—The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water system and treatment plants, golf courses, transit services, and senior housing program are reported as business-type activities.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law or bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to demonstrate it is meeting legal responsibilities for using certain taxes, grants or other money that is restricted in its use. Fund Financial Statements provide detailed information about the most significant funds, not the City as a whole.

The City has three types of funds:

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, using the current financial resources measurement focus and modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds are used to account for essentially the same functions reported as "governmental activities" in the Government-Wide Financial Statements. However, unlike the Government-Wide Statements, Governmental Funds Financial Statements focus on *current* financial resources. The focus is on how spendable money flows into and out of those funds, and the balances left at year-end that are available for spending. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

To better understand the City's long-term and short-term requirements, it is useful to compare the City's Governmental Funds Statements with the governmental activities in the Government-Wide Financial Statements. A reconciliation is provided for both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances to facilitate this comparison.

- **Proprietary funds**—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported under the Government-Wide Financial Statements, using the accrual basis of accounting. The City's enterprise funds are actually the same as the "business-type activities" reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities—such as the City's self-insurance, fleet operations, equipment replacement, and loan funds. The internal service funds are reported with "governmental activities" in the Government-Wide Financial Statements.
- **Fiduciary funds**—The City is the trustee, or *fiduciary*, for certain funds held on behalf of a variety of third parties. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. However, the City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2003

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both the Government-Wide Statements and Fund Financial Statements. The notes to the financial statements can be found on pages 41-72 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain Required Supplementary Information concerning the City's progress in funding its obligation to provide pension benefits to its employees, and budgetary comparison schedules for the general fund and each major special revenue fund.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined Net Assets (in millions) for the fiscal year ended June 30, 2003, totaled \$332.6 million. (The detail may not add due to rounding.)

Summary of Net Assets
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 230.9	\$ 120.1	\$ 72.4	\$ 173.4	\$ 303.3	\$ 293.5
Capital Assets	190.7	175.1	94.8	91.8	285.5	266.9
Total Assets	421.6	295.2	167.2	265.2	588.8	560.4
Long-term liabilities outstanding	129.6	138.8	78.9	81.6	208.5	220.4
Other liabilities	26.5	24.1	21.2	22.5	47.7	46.6
Total liabilities	156.1	162.9	100.1	104.1	256.2	267.0
Net Assets:						
Invested in capital assets, net of related debt	50.4	28.7	27.7	24.9	78.1	53.6
Restricted	133.3	85.7	-	-	133.3	85.7
Unrestricted	81.8	18.0	39.4	136.2	121.2	154.2
Total Net Assets	\$ 265.5	\$ 132.4	\$ 67.1	\$ 161.1	\$ 332.6	\$ 293.5

The restricted net assets represent 40% of the total net assets and are subject to external restrictions. The increase of \$47.6 million in restricted net assets is due to a change in categorizing the net assets from the prior year to the current year. This money will be available for spending but only for specific projects around the City. The balance of unrestricted net assets, which represents 31% of the total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

During the current fiscal year the City's net assets increased by \$39.1 million. About one third of the increase is due to the donation of infrastructure. The reduction of expenditures and long-term debt also attributed to the increase in net assets.

A Statement of Activities and Changes in Net Assets is presented on the next page.

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2003

Statement of Activities and Changes in Net Assets (in millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program Revenues:						
Charges for services	\$ 10.9	\$ 8.3	\$ 36.7	\$ 45.6	\$ 47.6	\$ 53.9
Operating grants and contributions	13.7	18.4	2.0	3.8	15.7	22.2
Capital grants and contributions	24.3	18.0	4.8	4.7	29.1	22.7
General revenues:						
Taxes:						
Property taxes	10.2	9.1			10.2	9.1
Other taxes	48.7	45.0			48.7	45.0
Grants and contributions not restricted to specific programs	6.0	5.7			6.0	5.7
Payments in lieu of services	2.0	3.5			2.0	3.5
Investment earnings	8.1	8.3	2.9	4.3	11.0	12.6
Miscellaneous	3.2	2.4			3.2	2.4
Total revenues	127.1	118.7	46.4	58.4	173.5	177.1
Expenses:						
Administration	1.8	2.1			1.8	2.1
Human Resources	0.7	0.9			0.7	0.9
Finance	2.1	2.4			2.1	2.4
Housing	7.3	6.6			7.3	6.6
Police	18.6	16.4			18.6	16.4
Fire	7.9	7.4			7.9	7.4
Public Works	28.6	30.8			28.6	30.8
Planning and Development	1.2	1.2			1.2	1.2
Community Services	7.8	6.7			7.8	6.7
Redevelopment	4.3	7.5			4.3	7.5
Non-Departmental	6.8	3.7			6.8	3.7
Interest on long term debt	6.3	16.2			6.3	16.2
Water Utility			23.5	19.4	23.5	19.4
North Bay Treatment Plant			5.0	4.7	5.0	4.7
Transportation			5.4	4.7	5.4	4.7
Golf Courses			6.5	6.2	6.5	6.2
Housing Programs			0.6	0.7	0.6	0.7
Intragovernmental Loan			-	0.1	0.0	0.1
Total expenses	93.4	101.9	41.0	35.8	134.4	137.7
Increase in net assets before transfers	33.7	16.8	5.4	22.6	39.1	39.4
Transfers	99.4	3.4	(99.4)	(3.4)	0.0	0.0
Increase (decrease) in net assets	133.1	20.2	(94.0)	19.2	39.1	39.4
Net assets July 1	132.4	112.2	161.1	141.9	293.5	254.1
Net assets June 30	\$ 265.5	\$ 132.4	\$ 67.1	\$ 161.1	\$ 332.6	\$ 293.5

Governmental Activities

The cost of all governmental activities this year was \$93.4 million. However, as shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities was only \$44.5 million because some of the cost was paid by those who directly benefited from the programs (\$10.9 million), or by other governments and organizations that subsidized certain programs with operating grants and contributions (\$13.7 million), and capital grants and contributions (\$24.3 million). Overall, these governmental program revenues totaled \$48.9 million. The City paid for the remaining "public benefit" portion of governmental activities with

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2003

\$58.8 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

Total resources available during the year to finance governmental operations were \$358.9 million consisting of Net Assets at July 1, 2002, of \$132.4 million, program revenues of \$48.9 million and General Revenues of \$177.6 million. Total Governmental Activities expenses during the year were \$93.4 million; thus, Net Assets increased by \$133.1 million to \$265.5 million. The following table shows the Net Cost of Governmental Activities, which totaled \$44.5 million.

Net Cost of Governmental Activities
(in millions)

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Administration	\$ 1.8	\$ 2.1	\$ (1.8)	\$ (1.4)
Human Resources	0.7	0.9	(0.7)	(0.9)
Finance	2.1	2.4	(1.6)	(1.9)
Housing	7.3	6.6	-	-
Police	18.6	16.4	(15.9)	(14.5)
Fire	7.9	7.4	(7.8)	(7.0)
Public Works	28.6	30.8	4.0	(3.8)
Planning and Economic Development	1.2	1.2	-	0.9
Community Services	7.8	6.7	(4.2)	(2.2)
Redevelopment	4.3	7.5	(3.4)	(6.7)
Non-departmental	6.8	3.7	(6.8)	(3.7)
Interest on long term debt	6.3	16.2	(6.3)	(16.2)
Total	<u>\$ 93.4</u>	<u>\$ 101.9</u>	<u>\$ (44.5)</u>	<u>\$ (57.4)</u>

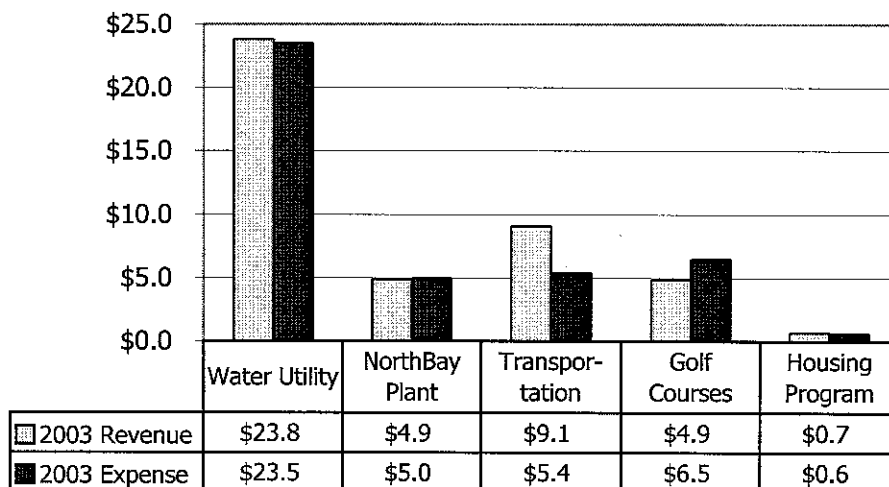
Business-Type Activities

The cost of all Business-Type activities this year was \$41.0 million. As shown in the Statement of Activities and Changes in Net Assets, the amounts paid by users of the systems was \$36.7 million, operating grants and contributions were \$2.0 million and capital grants and contributions were \$4.8 million. Investment earnings were \$2.9 million and transfers totaled \$99.4 million.

Total resources available during the year to finance Business-Type Activities were \$108.1 million consisting of Net Assets at July 1, 2002, of \$161.1 million, program revenues of \$43.5 million and General Revenues of \$(96.5) million. Total expenses of Business-Type Activities during the year were \$41.0 million; thus Net Assets decreased by \$94.0 million to \$67.1 million.

Net Cost and Revenue and Expense of Business-Type Activities
 (in millions)

	Total Cost of Services		Net Cost of Services	
	2003	2002	2003	2002
Water Utility	\$ 23.5	\$ 19.4	\$ 0.3	\$ 5.8
North Bay Treatment Plant	5.0	4.7	(0.1)	(0.1)
Transportation	5.4	4.7	3.7	4.0
Golf Courses	6.5	6.2	(1.6)	(0.9)
Housing Programs	0.6	0.7	0.1	-
Total	<u><u>\$ 41.0</u></u>	<u><u>\$ 35.7</u></u>	<u><u>\$ 2.4</u></u>	<u><u>\$ 8.8</u></u>



Revenues exceeded expense for all Business-Type Activities, except for golf courses (\$1.6 million) and the North Bay Water Treatment Plant (\$87,331). Golf course revenues, together with a \$614,000 transfer from the General Fund, cover all direct operating costs, but do not cover the depreciation expense.

D. FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Fund Financial Statements focus on individual parts of the City government, reporting operations in more detail than the Government-Wide Statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. The City's governmental funds reported a combined fund balance at June 30, 2003, of \$75.6 million, and increase of \$9.9 million over the end of the previous fiscal year.

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2003

The General Fund is the chief operating fund of the City. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and total fund balance to total funding requirements. At the end of the 2002/03 fiscal year, the total fund balance of the General Fund was \$23.6 million, of which the unreserved portion was \$20.8 million. This unreserved fund balance was equal to 42.0% of total General Fund expenditures and operating transfers out. Total fund balance increased by \$4.5 million over the previous fiscal year, due primarily to increased property, sales tax and transfers in from other funds.

The Low and Moderate Income Housing funds show an increase in the fund balance of \$3.7 million from the prior year. The redevelopment requirement for 20% set-aside contribution to the Low and Moderate Housing funds from the property taxes received attributes to the increase in the funds.

The Redevelopment Agency Debt Service funds show a decrease in the fund balance of \$6.3 million from the prior year, and a cumulative fund balance deficit of \$75.8 million which is attributed to the fact that the Agency's inter-fund loans from the City (primarily from the Intragovernmental Loan Fund) are now required under GASB 34 to be shown in the Debt Service funds themselves rather than under General Long-Term Debt as in pre-GASB 34 fiscal years.

The City Projects Capital Projects fund balance increased by \$4.0 million to \$30.4, which is largely the result of the continued collection of AB1600 growth impact fees toward future projects.

The fund balance of Other Governmental Funds increased by \$4.1 million to \$44.5 million is due to the reduction of project expenditures. The total fund balance of Assessment and Improvement Districts were essentially unchanged at \$14.5 million.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. Factors concerning these funds have already been addressed in the discussion of business-type activities under the Government-Wide Statements.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council may revise the City budget on more than one occasion. The Approved Budget is adopted by the City Council prior to the July 1 start of the fiscal year ("Original Budget"). The City Council may make appropriation or revenue estimate changes during the course of the fiscal year, primarily at the midyear budget review. Finally, the revenue and expenditure estimates for the *current* fiscal year are revised as part of the Approved Budget for the *following* fiscal year ("Final Budget").

Final budget estimates for 2002/03 General Fund revenues and operating transfers in were increased by \$1.2 million, while the final budget estimates reduced by \$3.1 million for expenditures and operating transfers out. After taking into account these adjustments, General Fund actual revenues and transfers in were \$1.8 million higher than the final budget estimates (a 3.4% increase). Actual expenditures and transfers out were \$0.7 million over final budget estimates (a 1.4% increase).

General Fund departments began the fiscal year with a total adjusted carryover (cumulative unspent appropriations from prior years) of \$8.8 million. This carryover, together with Expenditure Control Budget appropriations of \$43.7 million and department revenues of \$3.1 million, gave departments total budget authority of \$55.6 million for the 2002/03 fiscal year. After cash-basis expenditures of \$44.5 million, total department carryover as of June 30, 2003, was \$4.4 million, an decrease of 50.0%. The carryover is designated for subsequent years' expenditures, and is part of the \$23.6 million General Fund balance.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS**Capital Assets**

The capital assets of the City are those assets, which are used in the performance of the City's functions including infrastructure assets. The City has elected to use the "Basic Approach" as defined by GASB Statement No. 34 for infrastructure reporting. Under GASB Statement No. 34, eligible infrastructure capital assets are depreciated under the straight-line method. At June 30, 2003, net capital assets of the governmental activities totaled \$190.7 million and the net capital assets of the business-type activities totaled \$94.8 million. Depreciation on capital assets is recognized in the Government-Wide Financial Statements.

Summary of Capital Assets
(in millions)

	<u>Cost</u>	<u>Depreciation</u>	<u>Value</u>
Governmental Activities			
Land	\$ 19.3	\$ -	\$ 19.3
Buildings and Improvements	42.2	(24.2)	18.0
Equipment, Vehicles, Machinery	17.6	(12.5)	5.1
Construction in Progress	18.0	-	18.0
Infrastructure	235.3	(105.0)	130.3
Total Governmental Activities	<u>\$ 332.4</u>	<u>\$ (141.7)</u>	<u>\$ 190.7</u>
Business-Type Activities:			
Land	\$ 11.0	\$ -	\$ 11.0
Buildings and Improvements	67.9	(22.3)	45.6
Equipment, Vehicles, Machinery	19.9	(13.1)	6.8
Construction in Progress	6.3	-	6.3
Infrastructure	63.4	(38.3)	25.1
Total Business-Type Activities	<u>\$ 168.5</u>	<u>\$ (73.7)</u>	<u>\$ 94.8</u>

This year's major capital asset additions were:

- Reconstruction and replacement of waterlines.
- Additional Transportation Buses
- Construction of Cogeneration Plant

Long-Term Indebtedness

Debt considered a liability of governmental activities decreased during 2002/03 by a net of \$9.2 million to an outstanding balance of \$129.6 million as of June 30, 2003. The decrease is a result in normal amortization of debt. The City's bonded debt per capita is a useful indicator to citizens and investors of the City's debt position. The bonded debt at June 30, 2003, is equivalent to \$137 per capita, down 5.5% from the previous fiscal year.

Debt for business-type activities decreased in 2002/03 by \$2.7 million, to \$78.9 million, as a result of the normal amortization of debt. A schedule of outstanding bonded debt is presented on the following page.

Summary of Long-Term Indebtedness
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
TRAN Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General Obligation Bonds	14.1	14.5	-	-	14.1	14.5
Tax Allocation Bonds	4.3	7.4	-	-	4.3	7.4
Open Space Revenue Bonds	0.9	1.0	-	-	0.9	1.0
Special Assessment District Bonds	17.7	23.0	-	-	17.7	23.0
Redevelopment Revenue Bonds	77.0	79.4	-	-	77.0	79.4
Utility-Water Revenue Bonds	-	-	63.8	66.0	63.8	66.0
Recreational Revenue Bonds	-	-	14.8	15.3	14.8	15.3
Long-Term Notes Payable	15.6	13.5	0.3	0.3	15.9	13.8
Total Indebtedness	<u>\$ 129.6</u>	<u>\$ 138.8</u>	<u>\$ 78.9</u>	<u>\$ 81.6</u>	<u>\$ 208.5</u>	<u>\$ 220.4</u>

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for fiscal year 2003/04, the City continued to face a potential fiscal "perfect storm" due to growing financial challenges from several sources: a sagging economy, potential State cutbacks in local revenue, and rapidly growing personnel costs for retirement and health insurance. Due to financial uncertainties caused by the State Budget deficit, the City enacted a two-year budget for fiscal years 2003/04 and 2004/05. In the first year, \$2.5 million in budget cuts were implemented, eliminating 19.88 full time equivalent (FTE) positions. For the second year, a \$4 million budget cut target was approved, with specific cuts to be approved in early 2004. The budget took into account the following key factors:

- With the State of California facing a \$38 billion budget deficit, the Governor had proposed in January 2003 to reduce local government vehicle license fee income by 67.5% and to cut redevelopment funding in half over 15 years.
- Major factors affecting personnel costs for 2003/04 included cost of living adjustments based on inflation at 3.0%, health insurance cost increases projected at 25%, and employer contribution rates under the Public Employee Retirement System rates at 17.08% of payroll for safety employees (3%@50 Plan) and 4.32% for miscellaneous employees (2.7%@55 Plan).
- Despite higher unemployment and a declining stock market, the real estate markets have remained strong both nationally and locally due to low interest rates and high demand. Local development was expected to generate 1,085 housing units in 2003/04 and 725,000 square feet of new commercial and industrial development. General Fund property taxes were projected to increase by 9.7% due to new construction and ownership changes, based on Solano County estimates.
- Despite stagnant sales tax growth statewide, local revenues were anticipated to increase by \$1 million over the next two years due to a new auto mall; net sales tax growth was projected at 3.7% for 2003/04. Legislation to either reallocate local sales tax revenue, or swap a portion of sales tax revenue for property tax revenue, and causing a loss to the City, was not expected to be enacted.

As adopted the State Budget only cut VLF revenues by \$1 million and redevelopment by \$1.1 million, on a one-time basis. This should allow for a reduction in the budget cuts planned for 2004/05. However, the magnitude of the State's deficit remains high and growing, and with a new governor taking office following the Recall

City of Fairfield

Management's Discussion and Analysis, continued
For the Year Ended June 30, 2003

Election, a great deal of uncertainty remains as to where State budget policy is headed. The City Council will meet early in 2004 to determine whether to keep the \$4 million cut planned for 2004/05, or reduce it.

Fairfield's population for January 1, 2003, was estimated at 102,500. The forecasts of the Association of Bay Area Governments have for many years shown Solano County leading the nine-county Bay Area in percentage growth of population, households, employed residents and total jobs. ABAG projects that Fairfield will lead all agencies in Solano County in numeric growth of these same demographic categories from 2000-2025, as it has in recent years. The City is expected to surmount any short-term revenue slowdown and retain this long-term role as the county's economic leader.

The City annually prepares a ten-year financial plan, which focuses on long-term financial viability and allows decision-makers to better understand the on-going impact of current policy decisions. Multi-year planning also provides an "early warning" of adverse financial trends, and more time to implement changes to ensure better outcomes. Budget development is guided by a series of budget and financial policies adopted by the City Council, including long-term planning, the Expenditure Control Budget concept, minimum reserve levels, employee compensation, cash and debt management, information technology and utility rates. The adopted 2003/04 budget totals \$212.5 million, an increase of 6.3% over the 2002/03 adopted budget. The General Fund comprises \$56.3 million or 26% of this amount, up 9.8% from the prior year.

The City Council annually adopts priorities for the coming year. For 2003/04 its top priorities are:

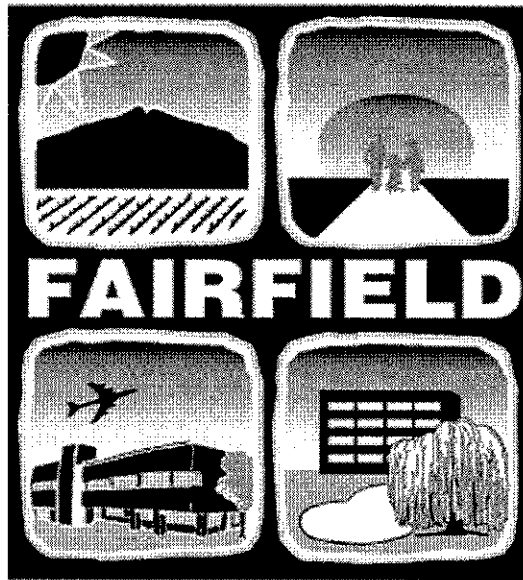
- **Budget** - managing the expected State Budget take-away of local revenue, and labor cost increases, and adopting a Budget Recovery Plan;
- **Transportation** - pursuing I-80/680 congestion relief, local traffic calming measures and school safety, and enhancing transit service;
- **Housing** - following "smart growth" policies in local planning, working for Travis AFB protection, and an increase of affordable housing;
- **Public Safety** - increasing Police staffing levels, improving park security, reducing red-light running, and securing interagency cooperation and outside funding for homeland security issues such as hazardous materials response, radio interoperability and training.

H. CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Finance Department at 1000 Webster Street, Fairfield CA 94533, phone 707-428-7569, or e-mail akrishnan@ci.fairfield.ca.us.

Government-Wide Financial Statements

HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield

Statement of Net Assets**June 30, 2003**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments	\$ 144,118,895	\$ 47,307,588	\$ 191,426,483
Receivables, net	42,310,846	12,125,496	54,436,342
Inventory	411,621	122,759	534,380
Prepaid items	109,114	609,494	718,608
Restricted cash and investments	13,724,013	20,506,478	34,230,491
Land held for resale	15,580,903		15,580,903
Internal balances	14,668,236	(14,668,236)	-
Investment in joint agencies		747,714	747,714
Deferred charges		5,616,974	5,616,974
Capital Assets:			
Nondepreciable	19,284,790	11,024,602	30,309,392
Depreciable buildings, property, equipment and infrastructure, net	171,410,249	83,782,450	255,192,699
Total Capital Assets	190,695,039	94,807,052	285,502,091
Total assets	421,618,667	167,175,319	588,793,986
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable and other current liabilities	8,916,416	2,512,851	11,429,267
Interest payable	2,592,118	1,172,885	3,765,003
Deferred revenue	814,301	42,590	856,891
Noncontrollable interest in joint agencies		17,513,065	17,513,065
Claims and judgment payable	7,784,900		7,784,900
Compensated absences payable	6,384,482		6,384,482
Long-term Obligations:			
Long-term debt - due within one year	5,368,228	4,061,041	9,429,269
Long-term debt - due in more than one year	124,248,980	74,840,562	199,089,542
Total liabilities	156,109,425	100,142,994	256,252,419
NET ASSETS:			
Invested in capital assets, net of related debt	50,439,859	27,650,477	78,090,336
Restricted for:			
Capital Projects	63,655,277		63,655,277
Debt Service	23,323,241		23,323,241
Community Development	32,342,226		32,342,226
Special Projects	13,971,426		13,971,426
Total Restricted Net Assets	133,292,170	-	133,292,170
Unrestricted	81,777,213	39,381,848	121,159,061
Total net assets	\$ 265,509,242	\$ 67,032,325	\$ 332,541,567

City of Fairfield**Statement of Activities and Changes in Net Assets****For the year ended June 30, 2003**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental Activities					
Administrative	\$ 1,840,184	\$ 6,210	\$ 15,812		\$ 22,022
Human resources	674,370	23,322			23,322
Finance	2,129,630	526,888			526,888
Housing	7,287,483	19,163	7,332,106		7,351,269
Police	18,602,341	325,662	2,294,543		2,620,205
Fire	7,934,121	5,334	169,238		174,572
Public works	28,616,540	6,705,398	1,632,602	\$ 24,287,171	32,625,171
Planning and development	1,189,579	678,716	474,545		1,153,261
Community services	7,782,453	1,747,802	1,826,089		3,573,891
Redevelopment agency	4,269,018	826,346			826,346
Non-departmental	6,763,676				
Interest on long-term debt	6,328,195				
Total governmental activities	93,417,591	10,864,841	13,744,935	24,287,171	48,896,947
Business-type activities:					
Water Utility	23,458,740	25,764,876	(2,003,368)		23,761,508
North Bay Treatment Plant	5,031,727	4,500,186	444,210		4,944,396
Transportation	5,394,385	764,976	3,559,658	4,816,559	9,141,193
Golf Courses	6,491,930	4,905,900			4,905,900
Housing Program	692,862	751,090			751,090
Total business-type activities	41,069,644	36,687,028	2,000,500	4,816,559	43,504,087
Total primary government	\$ 134,487,235	\$ 47,551,869	\$ 15,745,435	\$ 29,103,730	\$ 92,401,034

General Revenues and Transfers:

Taxes:

Property taxes

Sales taxes

Other taxes

Total Taxes

Licenses, Permits, and Fines

Intergovernmental

Investment earnings

Miscellaneous

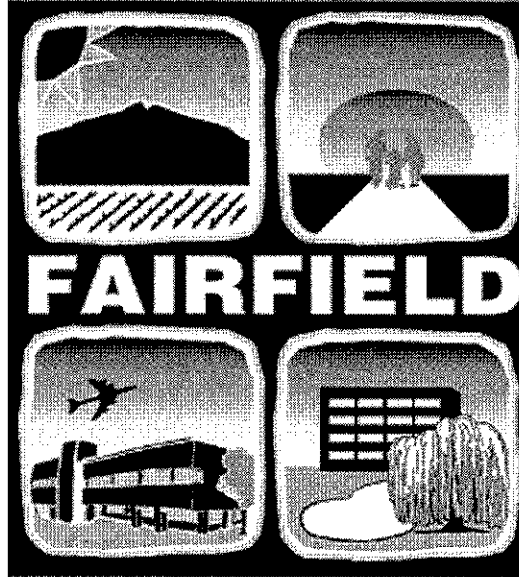
Gain on sale of land held for resale

Transfers

Total general revenues and transfers**Change in net assets****Net assets - beginning of year****Net assets - end of year**

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (1,818,162)		\$ (1,818,162)
(651,048)		(651,048)
(1,602,742)		(1,602,742)
63,786		63,786
(15,982,136)		(15,982,136)
(7,759,549)		(7,759,549)
4,008,631		4,008,631
(36,318)		(36,318)
(4,208,562)		(4,208,562)
(3,442,672)		(3,442,672)
(6,763,676)		(6,763,676)
(6,328,195)		(6,328,195)
(44,520,644)		(44,520,644)
	\$ 302,768	302,768
	(87,331)	(87,331)
	3,746,808	3,746,808
	(1,586,030)	(1,586,030)
	58,228	58,228
	2,434,443	2,434,443
(44,520,644)	2,434,443	(42,086,201)
10,173,856		10,173,856
16,668,797		16,668,797
31,963,029		31,963,029
58,805,682		58,805,682
1,977,441		1,977,441
6,015,757		6,015,757
8,117,732	2,948,155	11,065,887
2,338,547		2,338,547
968,813		968,813
99,409,707	(99,409,707)	-
177,633,679	(96,461,552)	81,172,127
133,113,035	(94,027,109)	39,085,926
132,396,207	161,059,434	293,455,641
\$ 265,509,242	\$ 67,032,325	\$ 332,541,567

HEART OF SOLANO COUNTY



C A L I F O R N I A

Government Fund Financial Statements

City of Fairfield**Balance Sheet****Governmental Funds****June 30, 2003**

	Major Funds			
	General Fund	Low/Mod Income Housing Special Revenue	Redevelopment Agency Debt Service	Assessment & Improvement District Debt Service
ASSETS				
Assets:				
Cash and investments	\$ 21,984,138	\$ 12,065,739	\$ 3,429,190	\$ 4,412,232
Receivables, net	2,680,904	8,145,528	3,973,588	9,872,305
Due from other funds		106,814		
Prepaid Items				
Restricted cash and investments			7,627,793	5,858,617
Land held for resale		3,303,623		
Advances to other funds	405,161	337,692		
Total assets	<u>25,070,203</u>	<u>23,959,396</u>	<u>15,030,571</u>	<u>20,143,154</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities	1,078,820	215,064	1,028,148	2,881
Due to other funds			24,315	
Advances from other funds		269,685	85,545,951	
Deferred revenues	405,161	1,364,233	4,265,000	9,761,101
Total liabilities	<u>1,483,981</u>	<u>1,848,982</u>	<u>90,863,414</u>	<u>9,763,982</u>
Fund Balances				
Reserved for:				
Encumbrances	2,771,668	148,478		
Endowment				
Notes receivable and Advances to other funds		7,123,909		
Land held for resale		3,303,623		
Major Maintenance				
Debt service				10,379,172
Low and moderate income housing		11,534,404		
Special projects and programs				
Unreserved:				
Designated for operations	500,000			
Designated for subsequent years' expenditures	4,449,056			
Undesignated	15,865,498		(75,832,843)	
Total fund balances	<u>23,586,222</u>	<u>22,110,414</u>	<u>(75,832,843)</u>	<u>10,379,172</u>
Total liabilities and fund balances	<u>\$ 25,070,203</u>	<u>\$ 23,959,396</u>	<u>\$ 15,030,571</u>	<u>\$ 20,143,154</u>

Major Funds			
City Projects Capital Projects	Redevelopment Agency Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
\$ 32,989,033	\$ 2,615,688	\$ 37,015,904	\$ 114,511,924
1,851,248	4,449,470	9,576,002	40,549,045
			106,814
	91,853		91,853
		237,603	13,724,013
	12,277,280		15,580,903
		6,606,445	7,349,298
<u>34,840,281</u>	<u>19,434,291</u>	<u>53,435,954</u>	<u>191,913,850</u>
4,117,824	351,085	1,174,910	7,968,732
		272,832	297,147
			85,815,636
<u>315,955</u>	<u>2,730,700</u>	<u>3,373,799</u>	<u>22,215,949</u>
<u>4,433,779</u>	<u>3,081,785</u>	<u>4,821,541</u>	<u>116,297,464</u>
6,314,174	395,280	946,745	10,576,345
		335,375	335,375
	1,460,254	12,432,045	21,016,208
	12,277,280	128,387	15,709,290
		2,066,247	2,066,247
		266,886	10,646,058
			11,534,404
24,092,328	2,219,692	32,438,728	58,750,748
			500,000
			4,449,056
			(59,967,345)
<u>30,406,502</u>	<u>16,352,506</u>	<u>48,614,413</u>	<u>75,616,386</u>
<u>\$ 34,840,281</u>	<u>\$ 19,434,291</u>	<u>\$ 53,435,954</u>	<u>\$ 191,913,850</u>

City of Fairfield

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2003**

Total Fund Balances - Total Governmental Funds \$ 75,616,386

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amount of \$6,951,094, the capital assets were adjusted as follows:

Nondepreciable Assets	164,459,155
Depreciable buildings, property, equipment, and infrastructure, net	<u>19,284,790</u>
Total Capital Assets	<u>183,743,945</u>

Investments in Bonds of Redevelopment Agency is an Asset in the Governmental Funds (Internal Service IGS Loan Fund). Since the bonds are also a liability of the Governmental Activity Redevelopment Agency, both the asset (removed on this entry) and the liability (removed below) should be eliminated

(2,950,000)

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(2,565,504)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Government-Wide Statement of Net Assets.

123,156,991

Deferred Revenue in the fund financial statements is not a current financial resource and is therefore not reported in the Governmental Funds Balance Sheet.

21,401,648

Long-term liabilities are not due and payable in the current period and therefore they are not reported in the Governmental Funds Balance Sheet. Except for the Internal Service Funds amounts of \$3,107,466, the long-term liabilities were adjusted as follows (inclusive of compensated absences payable):

Long-term liabilities - due within one year	(5,131,554)
Long-term liabilities - due in more than one year	<u>(127,762,670)</u>
Total long-term liabilities	<u>(132,894,224)</u>

Net Assets of Governmental Activities \$ 265,509,242

HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield**Statement of Revenues, Expenditures and Changes in Fund Balances****Governmental Funds****For the year ended June 30, 2003**

	Major Funds			
	General Fund	Low/Mod Income Housing Special Revenue	Redevelopment Agency Debt Service	Assessment & Improvement District Debt Service
REVENUES:				
Taxes	\$ 25,216,726			
Property taxes	7,057,462	\$ 4,592,873	\$ 18,371,488	
Development fees				
Special assessments levied				\$ 6,206,124
Licenses, permits and fines	4,281,436			
Developers' contribution				
Intergovernmental	6,403,371			
Charges for services	4,509,095			
Investment income	1,727,761	510,458	394,573	355,066
Miscellaneous	4,076,274	247,732	335,247	62,657
Total revenues	53,272,125	5,351,063	19,101,308	6,623,847
EXPENDITURES:				
Current:				
Administrative	1,761,294			
Human resources	673,262			
Finance	2,070,840			
Police	15,949,083			
Fire	7,538,499			
Public works	10,233,125			
Community services	5,874,560			
Planning and development	1,050,053			
Housing				
Redevelopment agency		1,955,390		
Non-departmental	1,331,303			
Intergovernmental			4,295,526	34,070
Capital outlay				
Debt service:				
Principal retirement			2,664,099	5,410,000
Interest			14,855,797	1,622,837
Fiscal agent fees			327,527	151,787
Special assessment payments			611,602	
Total expenditures	46,482,019	1,955,390	22,754,551	7,218,694
Revenues over (under) expenditures	6,790,106	3,395,673	(3,653,243)	(594,847)
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt		325,845		
Gain on sale of property				
Transfers in	737,306	300,000	1,030,000	209,703
Transfers out	(2,980,677)	(280,000)	(3,698,678)	(65,000)
Total other financing sources (uses)	(2,243,371)	345,845	(2,668,678)	144,703
Net change in fund balances	4,546,735	3,741,518	(6,321,921)	(450,144)
FUND BALANCES:				
Beginning of year	19,039,487	18,368,896	(69,510,922)	10,829,316
End of year	\$ 23,586,222	\$ 22,110,414	\$ (75,832,843)	\$ 10,379,172

Major Funds			
City Projects Capital Projects	Redevelopment Agency Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
		\$ 3,053,194	\$ 28,269,920
		450,740	30,472,563
\$ 6,349,840			6,349,840
		3,544,092	9,750,216
			4,281,436
175,724		390,816	566,540
2,641,708		12,099,706	21,144,785
			4,509,095
1,295,999	\$ 371,275	1,323,814	5,978,946
98,138	348,367	81,044	5,249,459
10,561,409	719,642	20,943,406	116,572,800
			1,761,294
			673,262
			2,070,840
		1,569,965	17,519,048
			7,538,499
		3,205,404	13,438,529
		492,319	6,366,879
		128,405	1,178,458
		7,262,269	7,262,269
	3,525,655		5,481,045
			1,331,303
			4,329,596
12,066,720	600,000	1,555,802	14,222,522
		421,890	8,495,989
			16,478,634
		11,861	491,175
			611,602
12,066,720	4,125,655	14,647,915	109,250,944
(1,505,311)	(3,406,013)	6,295,491	7,321,856
			325,845
	669,722		669,722
5,524,463	3,698,678	413,000	11,913,150
	(750,000)	(2,584,378)	(10,358,733)
5,524,463	3,618,400	(2,171,378)	2,549,984
4,019,152	212,387	4,124,113	9,871,840
26,387,350	16,140,119	44,490,300	65,744,546
\$ 30,406,502	\$ 16,352,506	\$ 48,614,413	\$ 75,616,386

The notes to the financial statements are an integral part of this statement.

City of Fairfield

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ 9,871,840

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

21,587,914

Governmental Funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.

(384,262)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds.

(7,410,529)

Long-term compensated absences are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, long-term compensated absences are not reported as expenditures in Governmental Funds.

(242,224)

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Current year bond proceeds.

(325,845)

Current year long-term debt repayments.

8,495,989

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year.

174,675

In the Governmental Funds, current year recognition of revenue (from previous year's recorded deferred revenue) has been recorded as certain amounts became "available" (measurable and available) in the current year. However, In the Statement of Changes in Net Assets, this revenue recognition would have already taken place in prior years (as "available" is only a criteria for recognizing revenue in the modified accrual basis of accounting).

(5,066,184)

Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with Governmental Activities.

106,411,661

Change in Net Assets of Governmental Activities

\$ 133,113,035

City of Fairfield

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual For the year ended June 30, 2003

	Budgeted Amounts		Variance with Final Budget- Positive (Negative)
	Original	Final	Actual
Revenues:			
Taxes	\$ 22,740,000	\$ 22,621,000	\$ 25,216,726
Property taxes	7,032,000	6,880,000	7,057,462
Licenses, permits and fines	3,126,000	4,039,000	4,281,436
Intergovernmental	6,036,000	6,079,000	6,403,371
Charges for services	4,568,000	4,118,000	4,509,095
Investment income	1,588,000	1,714,000	1,727,761
Miscellaneous	5,543,000	6,266,000	4,076,274
Total Revenues	50,633,000	51,717,000	53,272,125
Expenditures:			
Current:			
Administrative	2,160,512	1,853,512	1,761,294
Human resources	764,331	719,331	673,262
Finance	2,456,295	2,285,295	2,070,840
Police	16,679,839	15,717,839	15,949,083
Fire	8,106,950	7,579,950	7,538,499
Public works	10,912,226	10,265,226	10,233,125
Community services	6,430,056	5,933,056	5,874,560
Planning and development	1,104,334	1,075,334	1,050,053
Non-departmental	1,111,000	1,162,000	1,331,303
Total Expenditures	49,725,543	46,591,543	46,482,019
Excess Revenues Over (Under) Expenditures	907,457	5,125,457	6,790,106
Other Financial Sources (Uses):			
Transfers in	417,000	488,000	737,306
Transfers out	(2,197,000)	(2,211,000)	(2,980,677)
Total Other Financing Sources (Uses)	(1,780,000)	(1,723,000)	(2,243,371)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Sources (Uses)	\$ (872,543)	\$ 3,402,457	4,546,735
Fund Balance - Beginning of Year			19,039,487
Fund Balance - End of Year			\$ 23,586,222

City of Fairfield

Low and Moderate Income Housing Major Special Revenue Fund Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual For the year ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,233,000	\$ 4,564,000	\$ 4,592,873	\$ 28,873
Investment income	373,000	339,000	510,458	171,458
Miscellaneous	159,000	169,000	247,732	78,732
Total Revenues	4,765,000	5,072,000	5,351,063	279,063
Expenditures:				
Current:				
Redevelopment	2,697,000	2,479,000	1,955,390	523,610
Total Expenditures	2,697,000	2,479,000	1,955,390	523,610
Excess Revenues Over (Under) Expenditures	2,068,000	2,593,000	3,395,673	802,673
Other Financial Sources (Uses):				
Proceeds from borrowing	-	300,000	325,845	25,845
Transfers in	300,000	300,000	300,000	-
Transfers out	(280,000)	(280,000)	(280,000)	-
Total Other Financing Sources	20,000	320,000	345,845	25,845
Excess of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ 2,088,000	\$ 2,913,000	3,741,518	\$ 828,518
Fund Balance - Beginning of Year			18,368,896	
Fund Balance - End of Year			<u>\$ 22,110,414</u>	

Proprietary Fund Financial Statements

City of Fairfield**Statement of Net Assets****Proprietary Funds****June 30, 2003**

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
ASSETS:				
Current Assets				
Cash and investments	\$ 41,526,839	\$ 4,796,156		\$ 40,801
Receivables, net	4,267,718	909,618	\$ 6,794,562	97,521
Inventory				122,759
Prepaid items	398,538	112,238	66,825	
Due from other funds				
Total Current Assets	46,193,095	5,818,012	6,861,387	261,081
Noncurrent Assets				
Restricted cash and investments	9,495,507	7,788,443		3,222,528
Advances to other funds				
Investment in joint agencies	747,714			
Investment in bonds of Redevelopment Agency				
Notes receivable	28,945			
Deferred Charges	2,351,812			3,265,162
Capital Assets:				
Nondepreciable				10,616,939
Depreciable buildings, property, equipment and infrastructure, net	28,976,943	32,831,094	11,438,922	10,115,059
Total Capital Assets	28,976,943	32,831,094	11,438,922	20,731,998
Total Noncurrent Assets	41,600,921	40,619,537	11,438,922	27,219,688
Total assets	87,794,016	46,437,549	18,300,309	27,480,769
LIABILITIES:				
Current Liabilities				
Accounts payable and other current liabilities	1,591,745	250,094	147,754	480,468
Accrued interest payable	811,950			360,935
Due to other funds			5,250,114	
Long-term debt - due within one year	3,516,041			545,000
Total current liabilities	5,919,736	250,094	5,397,868	1,386,403
Noncurrent Liabilities				
Noncontrollable interest in joint agencies		17,513,065		
Deferred revenue				42,590
Claims and judgments payable				
Advances from other funds				9,418,122
Long-term debt - due in more than one year	60,630,562			14,210,000
Total noncurrent liabilities	60,630,562	17,513,065	-	23,670,712
Total liabilities	66,550,298	17,763,159	5,397,868	25,057,115
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt		15,318,029	11,438,922	65,431
Unrestricted	21,243,718	13,356,361	1,463,519	2,358,223
Total net assets	\$ 21,243,718	\$ 28,674,390	\$ 12,902,441	\$ 2,423,654

Major Fund	Non-Major		Governmental
Housing Programs	Intra-Governmental Loan	Totals	Activities Internal Service Funds
\$ 943,792		\$ 47,307,588	\$ 29,606,971
9,632		12,079,051	318,791
		122,759	411,621
31,893		609,494	17,261
		-	5,440,447
985,317		60,118,892	35,795,091
		20,506,478	
			87,884,460
		747,714	
			2,950,000
17,500		46,445	1,443,010
		5,616,974	
407,663		11,024,602	
420,432		83,782,450	6,951,094
828,095		94,807,052	6,951,094
845,595		121,724,663	99,228,564
1,830,912		181,843,555	135,023,655
42,790		2,512,851	947,684
		1,172,885	26,614
		5,250,114	
		4,061,041	236,674
42,790		12,996,891	1,210,972
		17,513,065	
		42,590	
			7,784,900
		9,418,122	
		74,840,562	2,870,792
-		101,814,339	10,655,692
42,790		114,811,230	11,866,664
828,095		27,650,477	4,325,800
960,027		39,381,848	118,831,191
\$ 1,788,122	\$ -	\$ 67,032,325	\$ 123,156,991

City of Fairfield**Statement of Revenues, Expenses and Changes in Fund Net Assets****Proprietary Funds****For the year ended June 30, 2003**

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
OPERATING REVENUES:				
Charges for services	\$ 25,334,366	\$ 4,500,186	\$ 764,976	\$ 4,905,900
Miscellaneous	430,510			
Total operating revenues	<u>25,764,876</u>	<u>4,500,186</u>	<u>764,976</u>	<u>4,905,900</u>
OPERATING EXPENSES:				
Material and supplies				149,468
Operating and maintenance	15,848,862	3,652,067	3,628,511	3,572,975
General and administrative	1,675,201	507,672	933,979	377,943
Premiums/provision for insurance claims				
Depreciation	2,401,610	886,690	831,895	824,371
Total operating expenses	<u>19,925,673</u>	<u>5,046,429</u>	<u>5,394,385</u>	<u>4,924,757</u>
Operating Income	<u>5,839,203</u>	<u>(546,243)</u>	<u>(4,629,409)</u>	<u>(18,857)</u>
NONOPERATING REVENUES (EXPENSES):				
Investment income	2,316,701	505,774		86,532
Interest expense	(3,533,067)			(1,561,044)
Intergovernmental revenue (expense)		444,210	8,376,217	
Other revenue (expense)	(2,003,368)			(6,129)
Minority interest in earnings (losses) of joint agencies		14,702		
Total nonoperating revenues (expenses)	<u>(3,219,734)</u>	<u>964,686</u>	<u>8,376,217</u>	<u>(1,480,641)</u>
Income (loss) before operating transfers	<u>2,619,469</u>	<u>418,443</u>	<u>3,746,808</u>	<u>(1,499,498)</u>
Transfers:				
Transfers in				627,677
Transfers out	(218,000)			(55,000)
Total operating transfers	<u>(218,000)</u>	<u>-</u>	<u>-</u>	<u>572,677</u>
Increase (decrease) in net assets	<u>2,401,469</u>	<u>418,443</u>	<u>3,746,808</u>	<u>(926,821)</u>
NET ASSETS:				
Beginning of year	<u>18,842,249</u>	<u>28,255,947</u>	<u>9,155,633</u>	<u>3,350,475</u>
End of year	<u>\$ 21,243,718</u>	<u>\$ 28,674,390</u>	<u>\$ 12,902,441</u>	<u>\$ 2,423,654</u>

<u>Major Fund</u>	<u>Non-Major</u>		
<u>Housing Programs</u>	<u>Intra-Governmental Loan</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 751,090		\$ 36,256,518	\$ 16,401,833
		430,510	
<u>751,090</u>		<u>36,687,028</u>	<u>16,401,833</u>
43,480		192,948	1,814,450
145,503		26,847,918	1,822,144
399,943		3,894,738	865,867
			3,576,821
<u>103,936</u>		<u>5,048,502</u>	<u>977,735</u>
<u>692,862</u>		<u>35,984,106</u>	<u>9,057,017</u>
<u>58,228</u>		<u>702,922</u>	<u>7,344,816</u>
39,148		2,948,155	1,185,298
		(5,094,111)	(77,423)
		8,820,427	
		(2,009,497)	44,280
		14,702	
<u>39,148</u>		<u>4,679,676</u>	<u>1,211,555</u>
<u>97,376</u>		<u>5,382,598</u>	<u>8,556,371</u>
		627,677	101,944,384
	<u>\$(99,764,384)</u>	<u>(100,037,384)</u>	<u>(4,089,094)</u>
-	<u>(99,764,384)</u>	<u>(99,409,707)</u>	<u>97,855,290</u>
<u>97,376</u>	<u>(99,764,384)</u>	<u>(94,027,109)</u>	<u>106,411,661</u>
<u>1,690,746</u>	<u>99,764,384</u>	<u>161,059,434</u>	<u>16,745,330</u>
<u>\$ 1,788,122</u>	<u>\$ -</u>	<u>\$ 67,032,325</u>	<u>\$ 123,156,991</u>

City of Fairfield**Combining Statement of Cash Flows****Proprietary Funds****For the year ended June 30, 2003**

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 25,015,445	\$ 4,592,610	\$ 764,976	\$ 4,652,674
Payments to suppliers	(14,433,421)	(2,503,141)	(3,643,851)	(3,207,279)
Payments to employees	(2,539,240)	(1,367,121)	(642,285)	(140,305)
Payments for Interfund Services Used		(156,401)		(298,630)
Net cash provided by operating activities	8,042,784	565,947	(3,521,160)	1,006,460
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Grants			8,376,217	
Receipt of intergovernmental lease revenue				
Transfers in				620,726
Transfers out	(218,000)			(55,000)
Net cash provided by (used for) noncapital financing activities	(218,000)	-	8,376,217	565,726
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal payments-bonds	(2,655,000)			(520,000)
Principal payments-notes payable	(14,654)			
Principal payments-interfund loans				
Interest paid	(3,359,999)			(982,530)
Fiscal agent fees paid	(8,593)			(9,629)
Proceeds from sales of capital assets				3,500
Proceeds from lease financing				
Purchases of capital assets		(24,551)	(4,584,284)	(292,597)
Minority interest capital contributions		255,970		
Capital contributions		444,210		
Construction of capital assets	(2,738,665)	(39,076)	(270,773)	
Net cash used by capital and related financing activities	(8,776,911)	636,553	(4,855,057)	(1,801,256)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	2,349,341	495,648		93,573
Net cash provided by investing activities	2,349,341	495,648	-	93,573
Net increase (decrease) in cash and cash equivalents	1,397,214	1,698,148	-	(135,497)
CASH AND CASH EQUIVALENTS:				
Beginning of year	49,625,132	10,886,451		3,398,826
End of year	\$ 51,022,346	\$ 12,584,599	\$ -	\$ 3,263,329

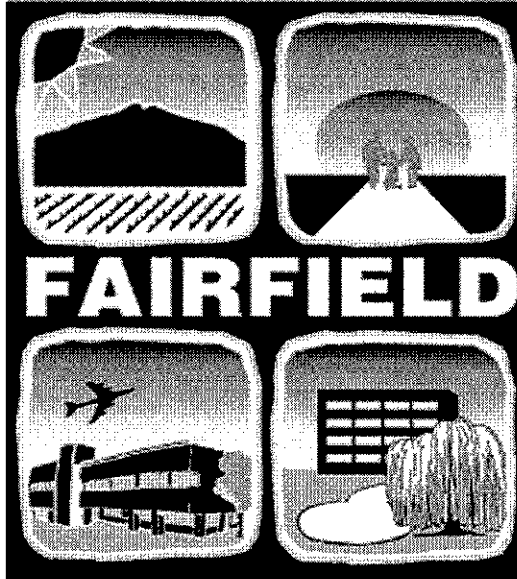
<u>Major Fund</u>	<u>Non-Major</u>		
<u>Housing Programs</u>	<u>Intra-Governmental Loan</u>	<u>Totals</u>	<u>Governmental Activities Internal Service Funds</u>
\$ 759,375		\$ 35,785,080	\$ 10,069,851
(254,705)		(24,042,397)	(9,542,147)
(294,743)		(4,983,694)	(1,390,437)
(67,844)		(522,875)	(73,167)
<u>142,083</u>		<u>6,236,114</u>	<u>(935,900)</u>
		8,376,217	
		-	59,400
		620,726	14,615,897
	<u>\$(12,435,897)</u>	<u>(273,000)</u>	<u>(4,089,094)</u>
<u>-</u>	<u>(12,435,897)</u>	<u>8,723,943</u>	<u>10,586,203</u>
		(3,175,000)	
		(14,654)	(95,355)
		-	
		(4,342,529)	(58,234)
		(18,222)	
		3,500	44,280
		-	3,207,583
(52,333)		(4,953,765)	(632,557)
		255,970	
		444,210	
		<u>(3,048,514)</u>	<u>(2,088,277)</u>
<u>(52,333)</u>	<u>-</u>	<u>(14,849,004)</u>	<u>377,440</u>
<u>39,263</u>		<u>2,977,825</u>	<u>1,196,349</u>
<u>39,263</u>	<u>-</u>	<u>2,977,825</u>	<u>1,196,349</u>
129,013	(12,435,897)	3,088,878	11,224,092
<u>814,779</u>	<u>12,435,897</u>	<u>64,725,188</u>	<u>18,382,879</u>
<u>\$ 943,792</u>	<u>\$ -</u>	<u>\$ 67,814,066</u>	<u>\$ 29,606,971</u>

City of Fairfield
Combining Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2003

	Major Funds			
	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses
Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:				
Operating income (loss)	\$ 5,839,203	\$ (546,243)	\$ (4,629,409)	\$ (18,857)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	2,401,610	886,690	831,895	824,371
(Increase) decrease in accounts receivable	(649,291)	92,424	(1,885,820)	(54,256)
(Increase) Decrease in inventory			(16,226)	7,390
(Increase) decrease in prepaid items	54,665	(10,377)		
(Increase) decrease in advances to other funds				
(Increase) in due from other funds				
Decrease in notes receivable				
Increase (decrease) in accounts payable	396,597	143,453	(2,151,345)	277,002
Increase (decrease) in claims and judgments payable				
Increase (decrease) deferred revenue				(36,141)
(Increase) decrease in due from other funds			4,329,745	
Increase in due to other funds				6,951
Total adjustment	2,203,581	1,112,190	1,108,249	1,025,317
Net cash provided by (used for) operating activities	\$ 8,042,784	\$ 565,947	\$ (3,521,160)	\$ 1,006,460

<u>Major Fund</u>	<u>Non-Major</u>		Governmental
Housing Programs	Intra- Governmental Loan	Totals	Activities Internal Service Funds
\$ 58,228		\$ 702,922	\$ 7,344,816
103,936		5,048,502	977,735
(767)		(2,497,710)	131,457
		7,390	(65,990)
11,722		39,784	(7,096)
		-	(6,142,810)
		-	
(31,036)		(1,365,329)	(108,983)
		(36,141)	1,447,661
		4,329,745	(4,512,690)
		6,951	
83,855		5,533,192	(8,280,716)
<u>\$ 142,083</u>		<u>\$ 6,236,114</u>	<u>\$ (935,900)</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Fiduciary Fund Financial Statements

City of Fairfield

Statement of Net Assets**Fiduciary Funds****June 30, 2003**

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 12,487,770
Total assets	<hr/> <u>12,487,770</u>
LIABILITIES	
Accounts payable and other current liabilities	12,487,770
Total liabilities	<hr/> <u>\$ 12,487,770</u>

City Of Fairfield

Notes to the Basic Financial Statements

1) Summary of Significant Accounting Policies

A. Organization and Reporting Entity

The City of Fairfield (the City) was incorporated on December 12, 1903, under the laws of the State of California. The City is a general law city administered by a Council-Manager form of government. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units are legally separate entities that meet any one of the following three tests:

1. The City appoints the voting majority of the board of potential component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the potential component unit.
2. The potential component unit is fiscally dependent upon the City.
3. The financial statements would be misleading if data from the potential component unit were not included.

Component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City. Based on the above criteria, the accompanying financial statements include the financial activities of the following entities:

City of Fairfield
Fairfield Redevelopment Agency
Fairfield Public Financing Authority
Fairfield Public Improvement Corporation
Fairfield Water Facilities Improvement District No. 1
Fairfield Municipal Park Improvement District No. 1
Fairfield Storm Drain Facilities Improvement District No. 1
Fairfield Community Facilities Districts
Housing Authority of the City of Fairfield

In addition, individual financial statements are available for many of these entities and can be obtained by contacting the City of Fairfield. These entities are legally separate from each other; however, the City Council serves in separate session as the governing body of these related agencies. The financial activities of these entities are integrally related to those of the City and blended with those of the City. Blending involves aggregating/merging component unit data and data from the City at both the Government-Wide and Fund Financial Statement level.

The City also has an ownership interest in the Solano Water Authority, the California Joint Powers Risk Management Authority, and the Housing Authority's Risk Retention Pool. These entities have not met the criteria stated above, and their financial information is not combined with that of the City (see Note 6). The City's equity investment in the Solano Water Authority is reported in the Enterprise Fund.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Each of the entities or activities included in the Government-Wide and Fund Financial Statements is described as follows:

Fairfield Redevelopment Agency

The Fairfield Redevelopment Agency (the Agency) is organized under the State of California Community Redevelopment Law. The Agency has established the 1) Fairfield Regional Center Project Area, 2) Highway 12 Project Area, 3) City Center Project Area, 4) Cordelia Project Area, and 5) North Texas Street Project area. The projects within each area are financed through debt which is repaid by property tax increment revenues. The Agency participates in low and moderate housing activities including rehabilitation of a low and moderate income rental housing project. The City Council is the governing board of the Agency.

Fairfield Public Financing Authority

The Fairfield Public Financing Authority (the Financing Authority) is a public agency created under a joint exercise of powers agreement between the City and the Agency. The Financing Authority was created for the purpose of providing financing of public capital improvements for the City and the Agency. The City Council is the governing board of the Financing Authority.

Fairfield Public Improvement Corporation

The Fairfield Public Improvement Corporation (the Corporation) is a non-profit tax exempt corporation. The primary purpose of the Corporation is to render financial assistance to the City by issuing debt and financing the construction of public facilities. The Corporation is governed by a board of five directors. New board members are elected by the existing members although the City Council has the authority to disapprove any individual elected by the board.

Fairfield Water Facilities Improvement District No. 1

The Fairfield Water Facilities Improvement District No. 1 (the Water Improvement District) is a voter-approved improvement district formed in 1972 to finance and build water treatment and storage facilities. The City Council is the governing board of the Water Improvement District.

Fairfield Municipal Park Improvement District No. 1

The Fairfield Municipal Park Improvement District No. 1 (the Park Improvement District) is a voter-approved improvement district formed in 1972 to finance acquisition and construction of parks and recreational facilities. The City Council is the governing board of the Park Improvement District.

Fairfield Storm Drain Facilities Improvement District No. 1

The Fairfield Storm Drain Facilities Improvement District No. 1 (the Storm Drain Facilities Improvement District) is a voter-approved improvement district formed in 1972 to finance construction of storm drainage facilities. The City Council is the governing board of the Storm Drain Facilities Improvement District.

Fairfield Community Facilities Districts

The City of Fairfield Community Facilities Districts were created in accordance with the State of California Mello-Roos Community Facilities Act of 1972. The Districts were formed to levy special taxes, issue bonds, and obtain

City Of Fairfield

Notes to the Basic Financial Statements (continued)

loans supported by special taxes for open space and general traffic and street improvements. The City Council is the governing board of the Fairfield Community Facilities District.

Housing Authority of the City of Fairfield

The Housing Authority of the City of Fairfield (the Housing Authority) is organized under the California Health and Safety Code. The objectives of the Housing Authority are to aid low-income families in obtaining decent, safe and sanitary housing through Federal assistance programs and low/moderate income housing programs. The Housing Authority is governed by a Board of Commissioners composed of five City Council members and two tenants of the Housing Authority.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. These statements implement all the applicable GASB statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the City and affiliated agencies are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Government - Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions,

City Of Fairfield

Notes to the Basic Financial Statements (continued)

and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in governmental fund balances as presented in these statements to the net assets presented in the Government-Wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period (the City considers all revenues available if they are collected within 60 days after year end). Property taxes, sales tax, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund. The City has presented all proprietary funds as major funds because the City believes the financial position and activities of these funds are significant to the City as a whole.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Investments

In accordance with Governmental Accounting Standards Board Statement Number 31 (GASB 31), investments are recorded at fair value; changes in fair value are included with investment income in the operating statements.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

Restricted Cash and Investments

In the Enterprise and Special Revenue funds, certain proceeds of debt issues, as well as certain resources, are set aside for their repayment and classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants and/or other agreements.

Unbilled Services Receivable

Utility Revenue is recorded when earned. Customers are billed bi-monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventories and Prepaid Items

Inventory is valued at cost using the first in, first out method. Inventory in the Proprietary Funds consists of expendable supplies held for future consumption or capitalization. The cost is recorded as an expense as inventory items are consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Special Assessments Receivables/Deferred Revenue

The special assessments receivables represent the principal portion of unpaid assessments on real property to provide for the principal payment of outstanding special assessment bonds. Revenues are recognized when annual assessments are levied (July 1) because of the Teeter Plan (described on page 8). In the Government-wide Financial Statements, the total amount of special assessments which have been levied in the current year and are due in the future years is recorded as receivables and revenue. Whereas, special assessments which have not been levied in the current year and are not due until future years are recorded as receivables with an offset to deferred revenue.

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting general capital assets at \$5,000 and infrastructure at \$100,000. Donations or contributions of capital assets are recorded at fair market value when received. Land held for resale is valued at the lower of cost or estimated net realizable value and is recorded in the special revenue and redevelopment funds.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

Buildings	30-60 years
Improvements.....	30-60 years
Equipment.....	5-60 years
Infrastructure.....	25-60 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street system, water purification and distribution system, sewer and water pipes system, park and recreation lands and improvement, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, traffic control devices (signs, signals and pavement markings), landscaping and land. These subsystems were not delineated in the Basic Financial Statements. The appropriate operating department maintains information regarding the subsystems.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2000 and has completed an update for June 30, 2003. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: 1) historical records; 2) standard unit costs appropriate for the construction/acquisition date; or 3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date, is calculated by using the straight-line method for depreciation using the industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Compensated Absences Payable

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed and funded by the various funds in the period they are earned.

C. Stewardship, compliance, and accountability

Budgetary Information

The City adopts annual budgets for the General and Special Revenue Funds. The City adopts project (versus annual) budgets for the Capital Project Funds. The City also adopts annual budgets for the Enterprise Funds, although it is not legally required to do so. The Debt Service Funds' budgets are adopted when the debt issuances are authorized. The City uses the following procedures in establishing the annual budgets and financial plans: After January 1, the departments prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecast revenues for the fiscal year. A ten-year financial plan for all funds is included in the proposed budget. The initial budget is presented to the City Manager and the City staff for review. Prior to July 1, the proposed budget is submitted to the City Council and public hearings are conducted at the City Council meetings. After the public hearings are concluded and the public comments are considered, the City Council adopts the budget resolutions. The approved budgets may be amended by the City Council during the year, and were so amended in fiscal year 2003, in accordance with legally adopted budget practices. The effect of the amendments was not material in relation to the original appropriations.

For the General Fund, the City uses an "Expenditure Control Budget" (ECB) whereby funds are appropriated by department without line item detail, and unexpended prior year appropriations are carried forward to the current budget year. The departments (Administrative, Human Resources, Finance, Public Works, Police, Fire, Planning and Development, and Community Services) are authorized to spend the unexpended prior year appropriation in the current fiscal year in addition to the current year ECB. Total appropriations for General Fund functions are adjusted annually by the sum of the percent change in the San Francisco Consumer Price Index and the percent change in housing units in the City. City Council approval is required to transfer General Fund operating budget appropriations between departments; however, departments may exceed the departmental appropriations provided the total General Fund expenditure control budget and the unspent carryover budget is not exceeded. The government's department heads may make transfers of appropriations within a department. The legal level of budgetary control is at the department level. A deflator procedure is established for reducing the unspent prior year appropriations that are carried over into the next fiscal year in the event of a deficiency of General Fund balance and resources.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

The following table represents the budget carryovers for each department in the General Fund:

EXPENDITURE CONTROL BUDGET CARRYOVER CALCULATION FOR 2002/03 FISCAL YEAR

	Carryover <u>6/30/02</u>	ECB <u>Appropriation</u>	Department <u>Revenue</u>	Department <u>Expense</u>	Carryover <u>Adjustment</u>	Carryover <u>6/30/03</u>
Administration	\$677,746	\$2,040,000	\$6,210	(\$1,804,782)	(\$738,696)	\$180,478
Human Resources	64,100	836,000	23,322	(693,931)	(160,098)	69,393
Finance	966,480	2,568,000	7,377	(2,193,545)	(1,128,958)	219,355
Community Services	2,020,509	3,846,000	2,060,174	(5,397,895)	(1,988,999)	539,790
Planning & Development	447,896	1,204,000	-	(1,087,719)	(455,405)	108,772
Police	1,467,535	15,786,000	475,662	(16,026,244)	(100,329)	1,602,624
Fire	893,896	7,132,000	174,572	(7,106,549)	(383,264)	710,655
Public Works	2,308,982	10,282,000	372,856	(10,179,899)	(1,765,949)	1,017,990
Totals	<u>\$8,847,144</u>	<u>\$43,694,000</u>	<u>\$3,120,173</u>	<u>(\$44,490,564)</u>	<u>(\$6,721,697)</u>	<u>\$4,449,056</u>

Note: Carryover adjustment results in all departments ending with a carryover equal to 10% of 2002/03 expense, per section 4 of Resolution 2003-1.

For Special Revenue Funds, budgets are appropriated and approved by the City Council at the fund level. Original appropriations for all General and Special Revenue Funds are carried forward and held until spent, with the exception of the Housing Assistance Fund, whose appropriations lapse at year end. The budgets for the General and Special Revenue Funds are adopted on the modified accrual basis consistent with the basis used for financial reporting.

Encumbrances

Encumbrance accounting, under which purchase orders, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the fund balance, is employed in the governmental fund types. Encumbrances are reported as reserved fund balances since they do not constitute expenditures or liabilities.

2) Property Taxes

Property taxes are levied and become a lien on real property at January 1, based on the assessed values determined by the Solano County Assessor (the County). Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Property tax revenues are recognized when levied.

Article XIII of the California Constitution (more commonly known as "Proposition 13") limits ad valorem taxes on real property to 1 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2 percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 2/3 of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, cities, schools and special districts' operating expenditures. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies

City Of Fairfield

Notes to the Basic Financial Statements (continued)

with historical tax delinquency rates less than three percent, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

3) Interfund Transactions

The City had numerous transactions between funds to finance operations, provide services, construct assets, and service debt. As discussed above, these transactions are classified as operating transfers in/out, due from/to other funds or advances to/from other funds. The tables on the next two pages summarize interfund transactions (as presented in the City's Fund Financial Statements) for the fiscal year ended June 30, 2003:

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Transfers In (fund receiving transfer):

	Special Revenue				Debt Service				Capital Projects				Enterprise		Internal Service		Totals
	Gen. Fund	Maint. Districts	Low/Mod Income Housing		Redev. Agency	Assessmnt & Imp Districts	City Projects		Redev Agency	Assessmnt & Imp Districts	Golf Courses	Comm Svc	Insurance	IGS			
Transfers Out: (fund making transfer)																	
General Fund		\$ 293,000								\$	627,677	\$ 228,000	\$ 1,832,000		\$	2,980,677	
Special Revenue Funds:																	
State Gas Tax				\$ 1,378,919					\$ 3,698,678							1,378,919	
Public Safety	\$ 427,872															427,872	
Development Tax							374,629					120,000				494,629	
Low/Moderate Income Housing			\$ 280,000													280,000	
Total Special Revenue Funds	427,872	-	-	280,000	-	-	1,753,548	-	-	-	-	120,000	-	-	-	2,581,420	
Debt Service Funds:																	
Redevelopment Agency									\$ 3,698,678							3,698,678	
Assessment & Improvement Dist.										\$ 65,000						65,000	
Total Debt Service Funds	-	-	-	-	-	-	-	-	3,698,678	65,000	-	-	-	-	-	3,763,678	
Capital Project Funds:																	
Redevelopment Agency					750,000											750,000	
Assessment & Improvement Dist.						\$ 209,703	73,255									282,958	
Total Capital Project Funds	-	-	-	750,000	209,703	73,255			-	-	-	-	-	-	-	1,032,958	
Enterprise Funds:																	
Water Utility							218,000									218,000	
Golf Courses		55,000													\$ 99,764,384	55,000	
IGS Loan Fund																99,764,384	
Total Enterprise Funds	-	55,000	-	-	-	-	218,000	-	-	-	-	-	-	-	-	100,037,384	
Internal Service Funds:																	
IGS Loan Fund	309,434		\$ 300,000				3,479,660									4,089,094	
Totals	\$ 737,306	\$ 348,000	\$ 300,000	\$ 1,030,000	\$ 209,703	\$ 5,524,463	\$ 3,698,678	\$ 65,000	\$	627,677	\$ 348,000	\$ 1,832,000	\$ 99,764,384	\$ 114,485,211			

The \$99,764,394 transfer is the result of the reclassification of the Intragovernmental Loan Fund from Enterprise Fund in the prior year to Internal Service Fund in the current year.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Due to/Due From Other Funds:

Due From Other Funds: (fund making loan)	Due to Other Funds (fund receiving loan):				
	Special Revenue		Debt Service		Enterprise
	HOME Program	CDBG	Redev Agency	Transit	
Special Revenue Funds:					
Low/Mod Income Housing		\$ 106,814			\$ 106,814
Internal Service Funds:					
IGS Loan Fund	\$ 166,018		\$ 24,315	\$ 5,250,114	5,440,447
Totals	\$ 166,018	\$ 106,814	\$ 24,315	\$ 5,250,114	\$ 5,547,261

Advances to/Advances From Other Funds:

Advances to Other Funds: (fund making loan)	Advances From Other Funds: (fund receiving loan)			
	Special Revenue	Debt Service	Enterprise	Totals
	Low/Mod Income Housing	Redev Agency	Golf	
General Fund		\$ 405,161		\$ 405,161
Special Revenue Funds:				
Home Program	\$ 269,685			269,685
Development Tax		2,626,232	\$ 3,710,528	6,336,760
Low/Moderate Income Housing		337,692		337,692
Total Special Revenue Funds	269,685	2,963,924	3,710,528	6,944,137
Internal Service Funds:				
IGS Loan Fund		82,176,866	5,707,594	87,884,460
Totals	\$ 269,685	\$ 85,545,951	\$ 9,418,122	\$ 95,233,758

4) Cash and Investments

The City manages the cash of the City and affiliated agencies on a pooled basis. Funds are invested in accordance with Section 53601 of the State government code and the City's established investment policy. All monies not required for immediate expenditure are invested or deposited to earn the maximum yield consistent with safety and liquidity. All investments have the City as registered owner or are kept in the custody of the City or a qualified safekeeping institution. A monthly report is submitted to the City Manager and City Council showing a description of the investments, purchase price, purchase date, current market value for all securities with a maturity of more than 12 months, maturity date, par value, discount or premium if any, cost, yield, safekeeping institution for each deposit or investment, average weighted maturity and effective yield of the portfolio. A portion of the portfolio is managed by third party investment managers. In accordance with statement number 31 of the Governmental Accounting Standards Board (GASB31), cash and investments are recorded at fair value.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

A. Deposits

The carrying amounts of the City's cash deposits were \$1,730,543 and the bank balance was \$1,563,769. The entire bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name as discussed below.

The California Government code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

B. Investments

The investment policy restricts investments to the following:

Certificates of Deposit must be FDIC insured or fully collateralized. They must also be purchased from banks or financial institutions located in California.

Negotiable Certificates of Deposit may not exceed 30% of the City's invested funds.

Bankers' Acceptances must be issued by domestic branches or subsidiaries of foreign banks, the short term paper of which is rated in the highest category by Moody's Investor Services, Inc. ("Moody's") or by Standard and Poor's Corporation ("Standard and Poor's"). The issuing bank must be domiciled in a country rated AAA by Moody's, or by Thompson Bankwatch.

Treasury Bills and Notes with a maximum maturity of five years.

Federally-Sponsored Credit Agency Securities with a maximum maturity of five years.

Repurchase Agreements may only be purchased from the 15 largest banks in the U.S. and are used solely as a short-term investment, not to exceed 90 days. Repurchase agreements are supported by eligible investments, of which physical delivery to or safekeeping documentation from a qualified safekeeping institution is required.

Local Agency Investment Fund (LAIF) deposits may be made in this fund up to the State of California limit of \$30,000,000 for each government entity. The City and its affiliated agencies have four accounts with LAIF, therefore the maximum deposit that may be made is \$120,000,000.

Savings Accounts, Money Market Accounts and General Checking Accounts may be used to deposit idle cash. No account may be opened without written authorization from the City Treasurer.

Commercial Paper must be rated prime quality (A1 by Moody's or P1 by Standard and Poor's). Eligible paper is further limited to notes issued by corporations organized and operating within the U.S. and having total assets in excess of \$500,000,000 and having an "A" or higher rating in other long term debt.

Corporate Medium-Term Notes must be rated at least A by both Moody's and Standard and Poor's. The maximum maturity of medium-term notes may not exceed five years. No more than 25% of the City's portfolio may be invested in this category. "Asset Backed Securities" (i.e., credit card securities) purchases are only allowed with approval of the Finance Director; must be rated AAA; and no more than 20% of the portfolio may be invested in this category.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Reverse Repurchase Agreements, Financial Futures and Options, U.S. Zero Coupons and Bonds and Small Business Administration Guaranteed Notes may not be invested in without specific instruction from the Finance Director.

Wire Transfers - Non repetitive wire transfers to vendors may only be made to accounts in the name of the City or the Agency and must be specifically approved by any two of the following four individuals: Finance Director, Assistant Finance Director, Revenue Officer, or Principal Accountant.

C. Credit Risk

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk.

Classification of deposits and investments by credit risk:

Deposits:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments:

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2003:

	Government-Wide Statement of Net Assets			Funds Financials	
	Governmental Activities	Business Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$ 144,118,895	\$ 47,307,588	\$ 191,426,483	\$ 12,487,770	\$ 203,914,253
Restricted Cash and Investments	13,724,013	20,506,478	34,230,491	-	34,230,491
	<u>\$ 157,842,908</u>	<u>\$ 67,814,066</u>	<u>\$ 225,656,974</u>	<u>\$ 12,487,770</u>	<u>\$ 238,144,744</u>

Cash and investments were categorized as follows at June 30, 2003:

	Category			Uncategorized	Fair Value
	1	2	3		
Deposits:					
Deposit	\$ 1,730,543				\$ 1,730,543
Total Deposits	<u>1,730,543</u>				<u>1,730,543</u>
Investments:					
Securities of U.S. government agencies	134,890,988				134,890,988
Medium-Term Notes	12,683,852				12,683,852
Local Agency Investment Funds				\$ 71,202,086	71,202,086
Mutual Funds				17,637,275	17,637,275
Total Investments	<u>147,574,840</u>			<u>88,839,360</u>	<u>236,414,201</u>
Total Cash and Investments	<u>\$ 149,305,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,839,360</u>	<u>\$ 238,144,744</u>

At June 30, 2003, the City had no category 2 or category 3 cash and investments.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

5) Receivables

Receivables as of year-end for the fund financial statements, including the applicable allowances for uncollectable accounts, are as follows (excludes Internal Service Funds):

Governmental Activities							
	General	Redevelopment Agency Low/Mod	Redevelopment Agency Debt Service	Assessment & Improvement District Debt Service	City Capital Projects	Redevelopment Agency Capital Projects	Other Governmental Funds
Receivables:							
Taxes	\$1,713,031						\$ 1,713,031
Interest and other	481,037	\$ 232,401	\$ 96,869	\$ 89,637	\$ 326,335	\$ 20,372	\$ 289,703
Accounts	486,836	18,343		9,782,668			533,875
Intergovernmental					1,524,913		158,679
Notes		7,894,784	3,876,719			4,429,098	8,593,745
Total Receivables, Net	\$ 2,680,904	\$ 8,145,528	\$ 3,973,588	\$ 9,872,305	\$ 1,851,248	\$ 4,449,470	\$ 9,576,002

Business Type Activities

	Water Utility	North Bay Treatment Plant	Transportation	Golf Courses	Housing Programs	Total
Receivables:						
Taxes						
Interest and other	\$ 136,795	\$ 129,502		\$ 10,817	\$ 9,632	\$ 286,746
Accounts	4,130,923	780,116	846	86,704		4,998,589
Intergovernmental			6,793,716			6,793,716
Notes	28,945				17,500	46,445
Total Receivables, Net	\$ 4,296,663	\$ 909,618	\$ 6,794,562	\$ 97,521	\$ 27,132	\$ 12,125,496

6) Self-Insurance Program

The City is partially self-insured for workers' compensation insurance with a \$1,000,000 retention per occurrence and general liability coverage with a \$500,000 retention per occurrence. The City is completely self-insured for unemployment insurance, short-term disability insurance, and dental insurance coverage programs. Separate general liability insurance coverage is maintained for the Housing Authority federal housing assistance programs and the City's transit activities. See Table 16 of the Statistical Section for more information on the various commercial insurance carriers for various risks.

The expenses of the self-insurance programs are recorded in the Internal Service Fund. In 2003, an independent actuary performed an analysis of the City's self-insured workers' compensation reserves (i.e. payable claims). Estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 5.5% to discount future investment earnings at a 75% confidence level, the City should have reserves of \$5,785,400; at June 30, 2003, the City has funded reserves of \$5,937,148.

In 2001, an independent actuary performed an analysis of the City's self-insured general liability reserves (i.e. payable claims). Estimates for incurred but not reported claims (IBNR) are included in the reserve estimates recommended by the actuary. Based on the actuarial analysis, which used a rate of 5.5% to discount future investment earnings at a 75% confidence level, the City should have reserves of \$1,799,500; at June 20, 2003 the City has funded reserves of \$1,947,660. An updated actuarial analysis is scheduled for Spring 2004.

There are no significant reductions in insurance coverages from prior years. There have also been no settlements exceeding the insurance coverages for each of the past three fiscal years.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

The changes in balances of claims liabilities during the past years (including General Liability and Workers' Compensation) are as follows:

	FY 01/02	FY 02/03
Unpaid Claims (Beginning of Fiscal Year)	\$6,337,239	\$6,337,239
Incurred Claims including IBNR's	1,394,527	2,757,007
Claims Payments	(1,394,527)	(1,309,346)
Unpaid Claims (End of Fiscal Year)	<u>\$6,337,239</u>	<u>\$7,784,900</u>

For worker's compensation, the City purchases excess insurance coverage (above and beyond the retention limit of \$1,000,000) from the commercial insurance market up to a level of \$55,000,000 per occurrence.

For general liability, the City is a member of the California Joint Powers Risk Management Authority (CJPRMA), a joint exercise of powers agency which provides the City with an additional \$24,500,000 liability coverage over and above the self-insured retention of \$500,000. A property insurance policy is purchased by the member entities of CJPRMA. The deductible amount is \$25,000. The CJPRMA is a legal entity separate and distinct from its member entities, as permitted by the California Government Code. The CJPRMA is governed by a 23-member Board of Directors appointed by the member agencies. Member agencies include approximately 144 California cities. The purpose of the CJPRMA is to spread the adverse effects of losses among the member agencies and to provide excess coverage as a group, thereby reducing its expense. The City contributes its pro rata share of anticipated losses to a pool administered by CJPRMA. Should actual losses among participants be greater than the anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if actual losses are less than anticipated, the City will be refunded its pro rata share of the excess. The City has approximately a 3% interest in the assets, liabilities and equity of the CJPRMA as of June 30, 2003.

Summary financial information taken from the audited financial statements of the CJPRMA as of June 30, 2003 is as follows:

Total assets	\$71,750,583
Total liabilities	<u>38,040,959</u>
Total net assets	<u>\$33,709,624</u>
Revenues, expenses & change in net assets:	
Revenues:	
Member contributions	\$ 10,892,921
Fees earned	11,000
Expenses:	
Current year loss provision	8,300,000
Prior year loss reserve adjustment	(7,676,834)
Insurance premiums	3,038,946
General & administrative;	
Maintenance and operation	<u>786,616</u>
Operating income	6,455,193
Investment income	<u>8,584,782</u>
Net income	15,039,975
Net assets-beginning of year	23,423,006
Refunds to members	<u>(4,753,357)</u>
Net assets-end of year	<u>\$ 33,709,624</u>

City Of Fairfield

Notes to the Basic Financial Statements (continued)

The Housing Authority is a member of the Housing Authorities' Risk Retention Pool (HARRP), an unincorporated association organized under the intergovernmental cooperation laws of the States of Washington, Oregon, California and Nevada. California Government Code sections 6500 to 6516 provide authority for California public housing authorities to enter into intergovernmental cooperation agreements to establish a group of self-insurance programs. HARRP is governed by a nine member Board of Directors elected by the approximately 91 member agencies. Summary financial information taken from the audited financial statements of the HARRP as of December 31, 2002 is as follows:

Total assets	\$ 21,845,560
Total liabilities	5,362,982
Total member balances	<u>\$ 16,482,578</u>
Underwriting income:	
Premium earned	\$ 3,514,170
Losses, loss adjustments expenses, and experience rating refunds	(2,785,257)
Underwriting expenses	(1,791,973)
Investment income, net of expenses	1,607,591
Other income	46,730
Net income	<u>\$ 591,261</u>

HARRP provides property insurance up to a \$2,000,000 blanket limit applying to all property owned by each housing authority for which it is legally responsible. HARRP also provides a comprehensive general liability insurance policy covering the operation of each housing authority member and directors and officers liability insurance including errors and omissions with a combined single limit of \$3,000,000 per occurrence.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

7) Capital Assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Assets. The City elected to use the "basic approach" as defined by GASB Statement No. 34 for infrastructure reporting. All capital and infrastructure systems were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on infrastructure assets as of June 30, 2003:

Asset Description	Cost to Build 6/30/03	Accumulated Depreciation	Balance 6/30/03
Governmental Activities:			
Pavement	\$ 108,903,521	\$ (45,006,835)	\$ 63,896,686
Sidewalks, Curbs and Gutters	36,957,531	(13,487,823)	23,469,708
Street Lights	9,711,429	(4,566,313)	5,145,116
Storm Drains and Open Channels	27,827,942	(17,670,162)	10,157,780
Sewer Pipes	8,683,778	(3,922,700)	4,761,078
Traffic Signals	8,127,222	(4,948,918)	3,178,304
Manholes	10,207,523	(5,103,760)	5,103,763
Bridges and Box Culverts	19,827,471	(8,042,675)	11,784,796
Sewer Pump Stations	338,298	(338,298)	0
Detention and Catch Basins	4,680,834	(1,886,819)	2,794,015
Total Governmental Activities	235,265,549	(104,974,303)	130,291,246
Business-Type Activities:			
Water	63,382,098	(38,259,514)	25,122,584
Total Business-Type Activities	63,382,098	(38,259,514)	25,122,584
Total Infrastructure Assets	\$ 298,647,647	\$ (143,233,817)	\$ 155,413,830

For the year ended June 30, 2003, depreciation expense on capital assets was charged to the governmental functions as follows:

Administration	\$ 61,110
Police	101,271
Fire	61,224
Public Works	6,888,736
Planning and Economic Development	4,437
Community Services	287,826
Housing	5,925
Total Depreciation Expense	<u>\$ 7,410,529</u>

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Capital Assets of the City for the year ended June 30, 2003, consisted of the following:

Asset Description	Balance 6/30/02	Additions	Deletions	Balance 6/30/03
Governmental Activities:				
Land	\$ 18,782,609	\$ 603,220	\$ (101,039)	\$ 19,284,790
Land Improvements	1,077,482	68,950	0	1,146,432
Buildings and Improvements	40,738,854	313,654	0	41,052,508
Machinery and Equipment	17,383,080	1,363,779	(1,071,042)	17,675,817
Construction in Progress	10,043,769	8,238,485	(277,673)	18,004,581
Infrastructure	221,532,523	13,733,026	0	235,265,549
Total	309,558,317	24,321,114	(1,449,754)	332,429,677
Accumulated Depreciation	(134,399,498)	(8,506,693)	1,171,553	(141,734,638)
Total Governmental Activities	175,158,819	15,814,421	(278,201)	190,695,039
Business-Type Activities:				
Land and Improvements	25,620,247	0	0	25,620,247
Buildings and Improvements	53,056,592	259,898	0	53,316,490
Machinery and Equipment	15,154,389	4,855,318	(62,680)	19,947,027
Construction in Progress	3,375,179	2,935,262	(48,194)	6,262,247
Infrastructure	63,382,098	0	0	63,382,098
Total	160,588,505	8,050,478	(110,874)	168,528,109
Accumulated Depreciation	(68,735,232)	(5,035,273)	49,448	(73,721,057)
Total Business-Type Activities	91,853,273	3,015,205	(61,426)	94,807,052
Total Net Capital Assets	\$ 267,012,092	\$ 18,829,626	\$ (339,627)	\$ 285,502,091

City Of Fairfield

Notes to the Basic Financial Statements (continued)

8) Accounts Payable and Other Current Liabilities

Accounts payable and other current liabilities as of year-end for the fund financial statements are as follows (excluding Internal Service Funds):

	Major Funds						Non-Major	Total
	General Fund	Low/Mod Special Revenue	RDA Debt Service	Assessment & Impr. Dist. Debt Service	CITY Capital Projects	RDA Capital Projects	Other Governmental Funds	
Governmental Activities:								
Accounts Payable	\$ 1,024,597	\$ 215,064	\$ 1,028,148	\$ 2,881	\$ 2,719,254	\$ 147,589	\$ 813,534	\$ 5,951,067
Deposit Payable	54,223	-	-	-	1,398,570	203,496	361,376	2,017,665
Total Accounts Payable and Other Liabilities	\$ 1,078,820	\$ 215,064	\$ 1,028,148	\$ 2,881	\$ 4,117,824	\$ 351,085	\$ 1,174,910	\$ 7,968,732
	Major Funds			Non-Major				
	Water	NorthBay Treatment Plant	Transit	Golf	Housing Programs	Total		
Business Activities:								
Accounts Payable	\$ 955,709	\$ 250,094	\$ 145,069	\$ 415,710	\$ 14,019	\$ 1,780,601		
Deposit Payable	636,036	-	2,685	64,758	28,771	732,250		
Total Accounts Payable and Other Liabilities	\$ 1,591,745	\$ 250,094	\$ 147,754	\$ 480,468	\$ 42,790	\$ 2,512,851		

9) Compensated Absences

For governmental type activities, the City's liability for vested and unpaid compensated absences has been accrued and amounts to \$6,384,482 at June 30, 2003. There is no liability for compensated absences for business type activities because they are fully funded at June 30, 2003. In prior years, compensated absences have been liquidated primarily by the general fund.

	Balance July 1, 2002	Additions	Payouts	Balance July 1, 2003	Amount Due within One Year	Amount Due More than One Year
Governmental Activities:						
Compensated Absences	\$ 6,142,258	\$ 242,224	\$ -	\$ 6,384,482	\$ 705,466	\$ 5,679,016

City Of Fairfield

Notes to the Basic Financial Statements (continued)

10) Long-Term Obligations

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2003:

	Balance July 1, 2002	Incurred or Issued	Satisfied or Matured	Balance June 30, 2003	Amount Due within One Year	Amount Due More than One Year
Governmental Activities:						
TRAN payable	\$ -	\$5,000,000	\$5,000,000	\$ -	\$ -	\$ -
General Obligation bonds	14,503,258	-	421,890	14,081,368	421,890	13,659,478
Tax allocation bonds	4,370,000		105,000	4,265,000	110,000	4,155,000
Special Assessment District bonds	23,070,000		5,350,000	17,720,000	1,810,000	15,910,000
Open Space revenue bonds	1,000,000		60,000	940,000	60,000	880,000
Redevelopment revenue bonds	79,370,000		2,350,000	77,020,000	2,465,000	74,555,000
Long-term notes payable	13,511,628	2,328,666	249,454	15,590,840	501,338	15,089,502
Total Governmental Activities	<u>\$135,824,886</u>	<u>\$7,328,666</u>	<u>\$13,536,344</u>	<u>\$129,617,208</u>	<u>\$5,368,228</u>	<u>\$124,248,980</u>
Business-Type Activities:						
Utility-Water revenue bonds	\$ 66,025,562	\$ 9,280,000	\$ 11,490,000	\$ 63,815,562	\$ 3,185,000	\$ 60,630,562
Recreational revenue bonds	15,275,000		520,000	14,755,000	545,000	14,210,000
Long-Term Notes payable	345,695		14,654	331,041	331,041	-
Total Business-Type Activities	<u>\$ 81,646,257</u>	<u>\$ 9,280,000</u>	<u>\$ 12,024,654</u>	<u>\$ 78,901,603</u>	<u>\$ 4,061,041</u>	<u>\$ 74,840,562</u>

Tax and Revenue Anticipation Notes (TRAN) Payable

On July 11, 2002, the City issued \$5,000,000 of Tax and Revenue Anticipation Notes (TRANS) to provide funds for fiscal year 2003 General Fund expenditures. The TRANS were general obligations of the City but payable solely from fiscal year 2003 taxes and other revenues of the City's General Fund. These notes were paid off on June 30, 2003 with 3% interest per annum.

General Obligation Debt

The general obligation debts are repaid from property tax revenues, and the City is obligated under the law to levy a property tax sufficient to service the debt.

The City has contracted to pay the Solano County Water Agency for the North Bay Aqueduct project costs. The unpaid obligation of \$14,081,368 is payable in annual installments through 2035/36. The City is obligated under the agreement to levy a zone of benefit property tax sufficient to service the contractual payments. The debt does not bear interest. The debt is serviced through the Debt Service Fund.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

The annual debt service requirements for the General Obligation Debt are as follows:

Fiscal Year	General Obligation Debt		
	Principal	Interest	Total
Ending			
2004	\$ 421,890	\$ -	\$ 421,890
2005	421,890	-	421,890
2006	421,890	-	421,890
2007	421,890	-	421,890
2008	421,890	-	421,890
2009 - 2013	2,109,450	-	2,109,450
2014 - 2018	2,109,450	-	2,109,450
2019 - 2023	2,109,450	-	2,109,450
2024 - 2028	2,109,450	-	2,109,450
2029 - 2033	2,109,450	-	2,109,450
2034 - 2036	1,424,668	-	1,424,668
Totals	\$ 14,081,368	\$ -	\$ 14,081,368

Redevelopment Tax Allocation Bonds

The Highway 12 Redevelopment Project Tax Allocation Bonds, Series 1985, were issued by the Agency and purchased by the Intragovernmental Loan Fund (Internal Service Fund) of the City at their par value of \$16,180,000, less a discount of \$809,000, in December 1985. The Intragovernmental Loan Fund currently holds \$2,950,000 of these bonds. The bonds bear interest at rates ranging from 8% to 9%, and interest is payable only as tax increment funds become available to the Agency. As of June 30, 2003, the outstanding balance is \$2,950,000.

Since both the Redevelopment funds and the Intergovernmental Loan Fund (Internal Service) are included in governmental activities at the Government Wide Statement of Net Assets, the "Investment in Bonds of Redevelopment Agency" and the corresponding Long-Term debt have been eliminated. Therefore, the debt service of the 1985 Tax Allocation Bonds has been removed for tie-out (to Government-Wide Statement of Net Assets) purposes.

In February 1996, the Agency issued \$4,565,000 of tax allocation bonds secured by the 20% low/moderate housing set-aside funds. The proceeds were loaned to the non-profit Casa Nova Mobile Home Park, Incorporated for the purchase of a 131-space mobile home park. Under the operating contract, the tenant organization is responsible for the management of the park and repayment of the debt service. The bonds bear interest rates ranging from 4.25% to 5.5% with a maximum annual debt service of \$337,160. As of June 30, 2003, the outstanding balance is \$4,265,000 (These bonds were refunded subsequently after year-end. See Note 17).

City Of Fairfield

Notes to the Basic Financial Statements (continued)

The debt service requirements not including the 1985 Tax Allocation Bonds for the Redevelopment Tax Allocation Bonds are as follows:

Fiscal Year Ending	Tax Allocation Bonds		
	Principal	Interest	Total
2004	\$ 110,000	\$ 225,355	\$ 335,355
2005	115,000	220,123	335,123
2006	120,000	214,540	334,540
2007	125,000	208,598	333,598
2008	135,000	202,160	337,160
2009 - 2013	775,000	897,439	1,672,439
2014 - 2018	860,000	671,906	1,531,906
2019 - 2023	1,005,000	424,738	1,429,738
2024 - 2028	1,020,000	115,755	1,135,755
Totals	\$ 4,265,000	\$ 3,180,614	\$ 7,445,614

Open Space Revenue Bonds

In May, 1998, the City issued \$1,160,000 of revenue bonds to refund a previous bank loan, which was originally used to assist the Solano County Farmlands and Open Space Foundation in acquiring open space property known as Lynch Canyon. These bonds (\$940,000 outstanding as of June 30, 2003) are secured by the proceeds of special taxes from Community Facilities District #1. The debt bears interest ranging from 4.0% to 5.5%. The debt service requirements on the Open Space Revenue Bonds are as follows:

Fiscal Year Ending	Open Space Revenue Bonds		
	Principal	Interest	Total
2004	\$ 60,000	\$ 43,435	\$ 103,435
2005	65,000	40,778	105,778
2006	65,000	37,983	102,983
2007	70,000	35,045	105,045
2008	70,000	31,930	101,930
2009 - 2013	415,000	105,350	520,350
2014 - 2018	195,000	10,863	205,863
Totals	\$ 940,000	\$ 305,384	\$ 1,245,384

Lease Revenue Bonds

The City issued \$15,730,000 in Refunding Certificates of Participation in December 1986 to provide funds for the defeasance of the 1984 Refunding Certificates of Participation and the 1982 Civic Center Cogeneration Certificates of Participation issued by the Fairfield Public Improvement Corporation. In the current fiscal year, these certificates have been retired in full.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Special Assessment District Bonds

Various bonds were issued pursuant to the 1915 Assessment Act and are secured by and repaid from assessments levied against the benefiting property. These bonds are limited obligations of the City payable solely from assessments, specific reserves, and the proceeds from property foreclosures. At June 30, 2003, the outstanding balance is \$17,720,000 with interest ranging from 3.75% to 12.00%. The debt is serviced through the Debt Service Fund.

The annual debt service requirements by year for Assessment District Bonds are as follows:

Fiscal Year Ending	Assessment District Bonds		
	Principal	Interest	Total
2004	\$ 1,810,000	\$ 1,154,987	\$ 2,964,987
2005	1,765,000	1,038,146	2,803,146
2006	1,140,000	943,219	2,083,219
2007	1,200,000	866,546	2,066,546
2008	1,135,000	787,816	1,922,816
2009-2013	4,725,000	2,963,781	7,688,781
2014-2018	4,775,000	1,330,523	6,105,523
2019-2023	1,170,000	42,223	1,212,223
Totals	\$ 17,720,000	\$ 9,127,241	\$ 26,847,241

Redevelopment Revenue Bonds

In January 1994, the Fairfield Public Financing Authority (FPFA) issued \$83,535,000 in revenue bonds to provide funds to the Agency to advance refund the \$56,080,000 FPFA revenue bonds issued in 1989 and 1992 and the \$12,890,000 tax allocation bonds issued in 1985. The revenue bonds also provided additional funds of \$1,700,000 for the Cordelia Redevelopment Project area.

The revenue bonds are secured by loan agreements between the Agency and the Financing Authority. The semi-annual loan payments to be made by the Agency are expected to meet all debt service requirements of the bonds. The loan payments are repaid solely from the tax increment revenues within the project areas. Interest is paid semi-annually through 2023 with rates ranging from 2.7% to 5.5%.

In June 1994, the Agency issued \$5,365,000 of 1994 Refunding Public Facility Lease Revenue Bonds to provide funds to refund \$5,035,000 of bonds issued in 1979. Interest on the refunding bonds is paid semi-annually with rates of 3.5% through 1995 and 5.7% thereafter. The refunding bonds are repaid from certain tax increment revenues of the Agency, to the extent such monies are available. Any shortfalls are to be covered by the City, under a lease agreement with the Agency.

In July 1995, the Fairfield Public Financing Authority issued \$2,500,000 of revenue bonds to provide funds to the Agency to construct storm drainage including the sealing of an open drainage ditch along the City's Pennsylvania Avenue. The revenue bonds are secured by loan agreements between the Agency and the Financing Authority. The loan payments are repaid solely from the tax increment revenues allocated to the Agency from the Highway 12 project area after payment of senior lien debt service. If such tax increment revenues are not sufficient to pay debt service on the bonds, additional revenues shall be derived from the imposition of a general obligation tax on property located in the Storm Drain Facilities Improvement District No. 1 of the City of Fairfield. Interest is paid

City Of Fairfield

Notes to the Basic Financial Statements (continued)

semi-annually through 2010 with rates ranging from 4.10% to 6.4%. The total outstanding revenue bonds as of June 30, 2003 is \$77,020,000.

All of these Redevelopment Revenue Bonds were subsequently refunded after year-end June 30, 2003. See Note 17 for further description.

The debt service requirements on the redevelopment revenue bonds are as follows:

Fiscal Year Ending	Redevelopment Revenue Bonds		
	Principal	Interest	Total
2004	\$ 2,465,000	\$ 4,194,633	\$ 6,659,633
2005	2,595,000	4,066,367	6,661,367
2006	2,725,000	3,928,834	6,653,834
2007	2,875,000	3,781,113	6,656,113
2008	3,030,000	3,622,346	6,652,346
2009 - 2013	16,110,000	15,503,038	31,613,038
2014 - 2018	19,775,000	10,625,389	30,400,389
2019 - 2023	23,770,000	4,214,638	27,984,638
2024 - 2028	3,675,000	101,063	3,776,063
Totals	\$ 77,020,000	\$ 50,037,421	\$ 127,057,421

Utility-Water Revenue Bonds

At June 30, 2003, the water revenue bonds consist of the following:

1986 Water refunding certificates of participation (STARS)	\$ 2,855,000
1996 Refunding water revenue bonds	51,680,562
2003 Water revenue refunding bonds	9,280,000
Total	\$ 63,815,562

The debt service requirements on the utility water revenue bonds are as follows:

Fiscal Year Ending	Utility-Water Revenue Bonds		
	Principal	Interest	Total
2004	\$ 3,185,000	\$ 3,180,417	\$ 6,365,417
2005	3,415,000	2,954,502	6,369,502
2006	3,565,000	2,803,043	6,368,043
2007	3,730,000	2,636,255	6,366,255
2008	3,900,000	2,467,155	6,367,155
2009 - 2013	22,575,000	9,204,685	31,779,685
2014 - 2018	20,390,562	5,760,144	26,150,706
2019 - 2023	3,055,000	425,420	3,480,420
Totals	\$ 63,815,562	\$ 29,431,621	\$ 93,247,183

City Of Fairfield

Notes to the Basic Financial Statements (continued)

In February 1996, the City issued \$59,065,562 in revenue bonds with interest rates ranging from 4.25% to 5.37% to partially defease \$58,794,449 of the 1986 Certificate of Participation with interest rates ranging from 4.7% to 7.35%. As of June 30, 2003, the undefeased principal of these 1986 bonds with accrued interest is \$2,855,000, and the outstanding balance of 1996 refunding bonds is \$51,680,562.

These bonds are secured by and repaid from the operating revenues of the City's Municipal Water Utility and mature in 2023. In addition, the City is obligated to levy a property tax on properties within the Water Improvement District if water utility revenues prove insufficient to service the improvement bonds. The Water Facilities Improvement Bonds are serviced through the Enterprise Fund. The bonds bear interest at rates ranging from 2.9% to 5.8%.

Although the defeasance resulted in a loss on refinancing of \$1,614,048, the City reduced its aggregate debt service payments by \$6,991,376 over the next 19 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$8,195,474. The loss is reported as "deferred amount on refunding" on the balance sheet and will be amortized over the shorter of the remaining life of the new debt or the life of the old debt. In this case, it is the life of the old debt, and the deferred amount on refunding is being amortized over the next 19 years.

In April 2003, the City issued \$9,280,000 in revenue bonds with interest rates ranging from 1.1% to 4.625% to defease and refund on a current basis the Water Enterprise 1993 Refunding Bonds. Although the refunding resulted in a loss on refinancing of \$246,656, the City reduced its debt service payments by \$1,278,790 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$987,287. The loss is reported as "deferred amount on refunding" on the balance sheet and will be amortized over the next 20 years (shorter of the remaining life of the old debt or the life on the new debt). As of June 30, 2003 the remaining balance of the deferred liability is \$1,178,021.

Recreational Revenue Bonds

The City issued its 1988 revenue bonds which were used to acquire land and build the Rancho Solano Golf Course. In 1993, the City issued revenue bonds to advance refund the 1988 revenue bonds, and to finance the acquisition and construction of the Paradise Valley Golf Course. In order to obtain debt service savings and to restructure its debt service requirements, in May 1998 the City issued \$17,415,000 revenue bonds thereby advance refunding the above prior obligations in their entirety. The debt is secured by, and will be repaid from, the operating revenues of the two public courses. The City is obligated to levy a property tax on properties within the Municipal Park Improvement District No. 1 if revenues prove insufficient to service the debt. The debt bears interest ranging from 4.0% to 5.5%, paid semi-annually through 2023. As of June 30, 2003, the outstanding balance is \$14,755,000. The debt service requirements on the recreational revenue bonds are as follows:

Fiscal Year Ending	Recreational Revenue Bonds		
	Principal	Interest	Total
2004	\$ 545,000	\$ 710,425	\$ 1,255,425
2005	570,000	686,725	1,256,725
2006	590,000	661,785	1,251,785
2007	615,000	635,570	1,250,570
2008	640,000	607,640	1,247,640
2009 - 2013	3,670,000	2,556,383	6,226,383
2014 - 2018	4,705,000	1,488,439	6,193,439
2019 - 2023	2,915,000	432,625	3,347,625
2024 - 2028	505,000	12,623	517,623
Totals	\$ 14,755,000	\$ 7,792,215	\$ 22,547,215

City Of Fairfield

Notes to the Basic Financial Statements (continued)

Long-term Notes Payable

At June 30, 2003, long-term notes payable consist of the following:

Economic Development Administration Note	\$ 331,041
Redevelopment Agency Highway 12 Project Notes	2,141,499
Redevelopment Agency Regional Center Project Notes	1,443,010
Redevelopment Agency Regional Center Project Notes 1999 Tax Allocation Notes (Ellsworth Court)	3,400,000
HELP Funds	1,060,750
Redevelopment Agency Cordelia Project Notes 2001 Tax Allocation Notes	3,890,000
Redevelopment Agency Cordelia Project Notes-REDIP	548,115
FPFA Lease-Cogeneration	1,104,645
California Energy Commission Note	2,002,821
	<u>\$ 15,921,881</u>

In July 1977, the City obtained a long-term loan from the Economic Development Administration in connection with a drought relief program at an interest rate of 5%. This note is fully paid in year 2004.

The Agency has two long-term notes in the Highway 12 Project Area totaling \$2,141,499 (which include accrued interest). These notes are subordinate to other debts of the Agency. In September, 1981, the Agency issued a long-term note for \$931,081 to reimburse a developer for the cost of oversizing for storm drainage facilities in the Highway 12 Project Area. Interest accrued at 10% compounded annually through September 1, 1989 after which the note became non-interest bearing. Total unpaid interest is \$1,032,040, which has been added to the note. In February 1982, the Agency issued a non-interest bearing long-term note to reimburse a developer for the cost of oversizing for storm drainage facilities in the Highway 12 Project Area for \$178,378.

In 1992, the Agency and the City entered into an agreement under which the Agency purchased a leasehold interest in the City Hall at the Mall in the Regional Center Project Area for \$2,288,010. The Agency's obligation is shown as a long-term note payable balance at June 30, 2003 is \$1,443,010. Graduated installment payments of principal and interest at 12% per annum are due semi-annually through 2017. Under the terms of the agreement, the Agency leases the City Hall at the Mall to the City for a nominal amount.

In fiscal 2000, the Agency issued \$3,400,000 in Tax Allocation Notes (secured and paid through the 20% low/moderate income housing set-aside funds) to provide funds for the acquisition and demolition of a low/moderate income housing project known as Ellsworth Court. A portion of the proceeds were used for relocation assistance for the tenants of the project. The notes have semi-annual interest payments of \$85,000 at a rate of 5% per annum and mature in 2004.

In FY 2001, loans were issued using HELP program funds for the purpose of rehabilitating properties to provide housing for low/moderate income households. The loans have an interest rate of 3% and are secured by the deeds of trust on the properties. In the current year, \$325,845 in additional funds were received.

In October 1995, the Agency acquired a loan from the Rural Economic Development Infrastructure Panel (REDIP) in the amount of \$973,060. This loan with a fixed interest rate of 6.5% has graduated principal and interest payments due semi-annually through 2009.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

In May 2001, the Agency issued \$3,890,000 in Tax Allocation Note to finance public street construction in the Green Valley Corporate Park. The debt service will be paid from the tax increment revenues of the Cordelia Project Area. The note has semi-annual interest payments at a rate of 4.85% per annum and matures in August 2006.

In March 2002, the City acquired a loan from Wells Fargo Bank in the amount of \$1,200,000 which is to be used for upgrading its co-generation plant's energy management system. The loan has a fixed interest rate of 4.95% with principal and interest payments due semi-annually through March, 2012.

In April, 2003, the City obtained a long term loan from the California Energy Commission in the amount of \$2,002,821 which is to be used for upgrading its co-generation plant. The loan has a fixed interest rate of 3% with principal and interest payments due semi-annually through June, 2013.

The debt service requirements on the long-term notes payable are as follows:

Fiscal Year Ending	Long Term Notes Payable		
	Principal	Interest	Total
2004	\$ 832,379	\$ 796,738	\$ 1,629,117
2005	5,057,003	643,653	5,700,656
2006	1,723,147	499,054	2,222,201
2007	1,834,923	433,326	2,268,249
2008	1,573,265	403,039	1,976,304
2009 - 2013	2,296,655	2,055,736	4,352,391
2014 - 2018	463,010	1,938,558	2,401,568
2019 - 2023	-	-	-
2024 - 2028	-	-	-
2029 - 2033	2,141,499	-	2,141,499
Totals	\$ 15,921,881	\$ 6,770,104	\$ 22,691,985

11) Classification of Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Debt Service, and Specific Projects and Programs as established by the City Council.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

In the Fund Financial Statements, reserves segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. As of June 30, 2003, reservations of fund balance are described below:

Reserved for Encumbrances - These reserves represent the portion of purchase orders and contracts awarded for which goods and services have not yet been received.

Reserved for Endowment - These reserves represent the fund balance of the Outreach Independence Permanent Fund. This amount represents the endowment principal, which under terms of the agreement cannot be spent.

Reserved for Notes Receivable and Advances to Other Funds - These reserves were established to reflect the non-current portion of Notes Receivable and Advances to other funds so that they will not be considered as current available funds.

Reserved for Major Maintenance - These reserves were established to reflect the Maintenance Districts legally restricted funds.

Reserved for Debt Service - These reserves were established to provide for future debt service.

Reserved for Land Held for Resale - This reserve was established to reflect non-current resources so they will not be considered as current available funds.

Reserved for Low and Moderate Income Housing - This designation represents 20% of tax increment revenues generated by the Redevelopment Project Area to increase and improve the supply of low and moderate income housing.

Reserved for Specific Projects and Programs - These reserves represent specific projects and programs for which the City has made a commitment towards completion through adoption of the City Budget.

Unreserved fund balances in the Fund Financial Statements are designated by Management as follows:

<u>General Fund</u>	
Subsequent Year's Expenditures/ECB Reserve	\$ 4,449,056
Designated for Operations	500,000
Unappropriated Fund Balance	<u>15,865,498</u>
Total General Fund	<u>\$ 20,814,554</u>

12) Pension Plan

Plan Description - The City contributes to the Public Employees Retirement System (PERS), an agent multiple-employer system that acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from its Executive Office located at 400 P Street, Sacramento, California 95814.

All full-time City employees are eligible to participate in PERS. Benefits vest after five years of service. Employees are eligible to retire at or after age 50 having attained five years of credited service and are entitled to

City Of Fairfield

Notes to the Basic Financial Statements (continued)

an annual retirement benefit, payable monthly for life, in an amount equal to a percent of their highest annual salary for each year of service credit. PERS also provides death and disability benefits. These benefit provisions and all other requirements have been established by State statute and by specific agreements with City labor groups.

Funding Policy – Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined percentage of annual covered payroll.

Annual Pension Cost – The City's annual pension cost for PERS was equal to the City's required and actual contributions, which amounted to \$2,651,951 for the year ended June 30, 2003. The contribution rate for the fiscal year 2002/2003 for miscellaneous employees is 0% from July to September 2002 and 0.957% from October 2002 to June 30, 2003. The change in the contribution rate was a result of adopting an enhanced benefit formula with 1% employee cost sharing for the additional benefit for the pension plan. The contribution rate for safety employees for the fiscal year 2002/2003 is 2.813% of payroll.

The required contribution was determined as part of the June 30, 2000 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 8.25% investment rate of return (net of administrative expenses), and b) projected annual salary increases ranging from 3.75% to 14.2% for miscellaneous and 4.27% to 11.59% for safety employees. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2000 was 40 years and 5 years for miscellaneous and safety employees respectively. The City has excess actuarial assets and has overfunded the actuarial liability as of June 30, 2003.

Three years of trend information regarding annual pension costs is summarized as follows:

<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net Pension</u>
	<u>Pension Cost</u>	<u>APC</u>	
	<u>APC</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/01	\$ -	100%	\$0
6/30/02	-	100%	0
6/30/03	463,121	100%	0

13) Post-employment Health Care Benefits

The City provides post retirement health care benefits to certain retired executive management employees and retired City officials as approved by City resolution. Eligibility requirements include a minimum of ten continuous years of service with the City, age of at least 50 upon leaving office and receipt of Public Employees Retirement System (PERS) benefits. The eligible official/employee must elect to be included in this program immediately upon retirement. Currently, ten individuals are covered under this program. The City pays 100% of the monthly health and dental insurance premiums for these former employees and officials. The City has established in the Internal Service Insurance Fund a funded reserve of \$1,124,315 for these benefit costs. The total cost of this program for fiscal year 2003 was \$101,895.

14) Commitments and Contingent Liabilities

In September 1997, the Agency assisted the Fairfield Housing Authority and the Pacific Estates Residents' Association in the acquisition of a 175-space mobile home park known as Casa Mobile Home Park. Under the terms of the purchase agreement, the Fairfield Housing Authority issued mortgage revenue bonds in the amount of \$5,546,189 which were subsequently purchased by the park's prior owners. These bonds are special and limited obligation bonds of the Housing Authority. Should the net revenues of the park be insufficient to cover the bond payments, the Agency would provide a stand-by source of revenue for the payment of the bonds for 30 years up to 2029 by pledging its low and moderate income funds. These bonds would have annual debt service of \$500,000 per year and bear interest at 8.25%. This pledge would be subordinate to the previously issued 1996 Redevelopment Tax Allocation Bonds in the amount of \$4,535,000 (see Note 7). It is neither expected nor likely that the Agency would need to make payments on these bonds; therefore, the liability for the bonds is not recorded in the financial statements. These bonds were subsequently refunded after year-end June 30, 2003 (See note 17).

In December, 1998, the City of Fairfield Housing Authority issued \$9,180,000 in refunding revenue bonds to advance refund the outstanding remaining principal from a \$7,125,000 bond issue (done by the Housing Authority in 1994) related to the original acquisition of Creekside Estates Mobile Home Park. These bonds are special and limited obligation bonds of the Housing Authority. Should the net revenues of the park be insufficient to cover the bond payments, the Agency would provide a stand-by source of revenue for the payment of the bonds for 25 years up to 2023 by pledging its low and moderate income funds. These bonds would have annual debt service ranging from \$685,763 to \$690,630 and bear interest at rates ranging from 3.7% to 5.625%. This pledge would be subordinate to the previously issued 1996 Redevelopment Tax Allocation bonds in the amount of \$4,445,000 (see Note 7) and the aforementioned contingent liability related to Casa Mobile Home Park. It is neither expected nor likely that the Agency would need to make payments on these bonds; therefore, the liability for the bonds is not recorded in the financial statements.

Various claims and lawsuits are pending against the City. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the City's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

The City and the Housing Authority have received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursement for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

15) Net Revenue and Changes in Net Assets and Budget Deficits

The governmental activities for the Housing program reflect a net revenue of \$63,786 which is a result of administrative fees earned in excess of actual administrative costs.

The governmental activities for the Public Works program reflect a net revenue of \$4,008,631. This is a result of donated infrastructure (streets, and sidewalks, curbs, gutters, storm drains, and sewer pipes) from completed housing subdivisions.

The business-type activities for the golf course program reflects a net expense of \$1,577,218, which is a result of an increase of interest expense, caused by an addition to the outstanding debt. Also, the North Bay Treatment Plant program reflects a net expense of \$87,331 due to an increase in plant costs for treatment and sanitization of the water.

City Of Fairfield

Notes to the Basic Financial Statements (continued)

In the General Fund the following negative variances exist due to: (a) Miscellaneous income – miscellaneous charges for services was lower than the estimated amount; (b) Police – capital expenditure exceeded the projected amount; and (c) Non-departmental – the interest expense on TRAN was not budgeted for but charged here, and the cost of energy feasibility study was not budgeted for but was funded.

16) Subsequent Event

On August 1, 2003, to take advantage of lower interest rates, the Redevelopment Agency issued \$79,455,000 in Revenue Bonds to refund (retire) the following debt issues: 1996 Redevelopment Tax Allocation Bond (original issue amount of \$4,565,000, outstanding amount of \$4,265,000 related to the Casa Nova Mobile Home Park); the 1993 Redevelopment Revenue Bonds (original issue amount \$83,535,000, outstanding amount of \$67,555,000); the 1994 Refunding Public Facility Lease Revenue Bonds (original issue amount \$5,365,000, outstanding amount of \$3,040,000); the 1995 FPFA Revenue Bonds (original issue amount of \$2,500,000, outstanding amount of \$2,145,000); and the 1989 FPFA Revenue Bonds (undefeased portion at original issue amount of \$5,360,000, outstanding amount of \$4,280,000). This new debt issue has interest rates ranging from 2.00% - 4.35% and has a final maturity date in 2023. By refunding these debt issues, the Agency achieved a combined cash flow savings of \$11,371,012 over the life of the bond issues (when comparing the cost of the new debt service with the cost of the previous debt service). This savings translates into an economic gain of \$9,766,563 (which is the present value of the \$11,371,012 cumulative debt service savings).

City of Fairfield

Required Supplementary Information

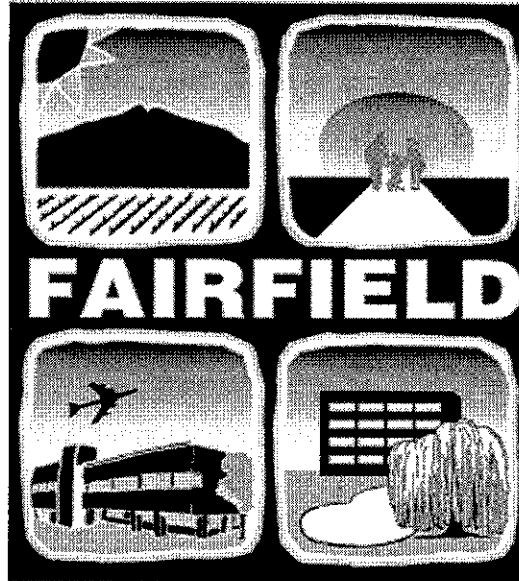
**PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS****Miscellaneous Employees**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Excess Assets	Funded Ratio	Covered Payroll	Actuarial Excess Assets as Percentage of
						Covered Payroll
6/30/99	\$ 85,516,046	\$ 62,664,927	\$ 22,851,119	136.5%	\$ 15,450,848	147.9%
6/30/00	93,794,935	70,722,245	23,072,690	132.6%	17,582,870	131.2%
6/30/01	97,011,167	89,580,445	7,430,772	108.3%	19,620,351	37.9%

Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Excess Assets	Funded Ratio	Covered Payroll	Excess Assets as Percentage of
						Covered Payroll
6/30/99	\$ 72,808,093	\$ 56,521,597	\$ 16,286,496	128.8%	\$ 8,716,926	186.8%
6/30/00	79,599,205	72,496,667	7,102,538	109.8%	10,080,727	70.5%
6/30/01	81,971,261	79,375,060	2,596,201	103.3%	11,134,721	23.3%

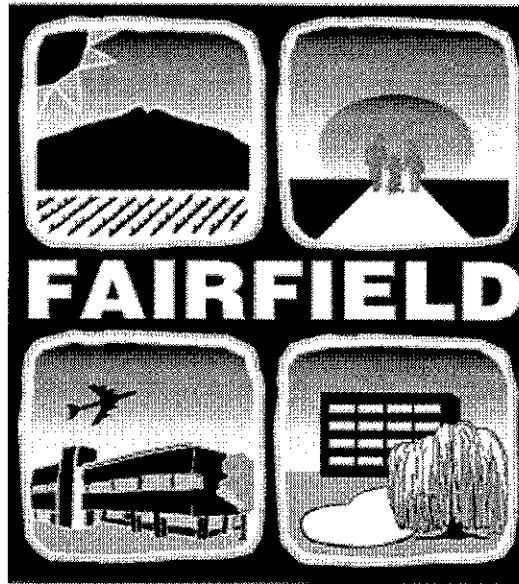
HEART OF SOLANO COUNTY



C A L I F O R N I A

Supplementary Information

HEART OF SOLANO COUNTY



C A L I F O R N I A

Non-Major Governmental Funds

City of Fairfield**Combining Balance Sheet****Non-Major Governmental Funds****June 30, 2003**

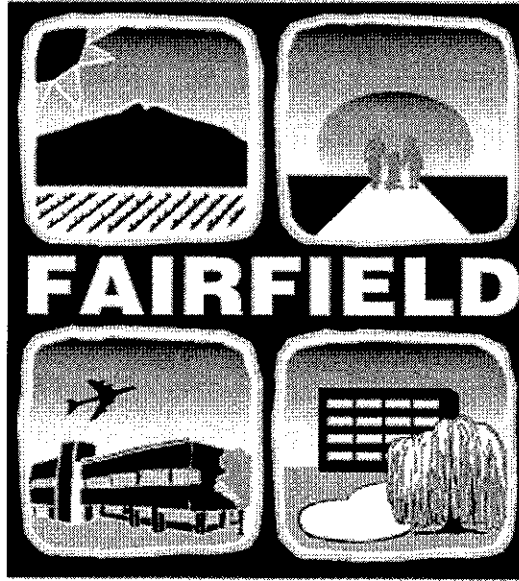
	Special Revenue			
	State Gas Tax	Public Safety	Home Program	Development Tax
ASSETS				
Assets:				
Cash and investments	\$ 2,234,602	\$ 41,799		\$ 9,313,031
Receivables, net	218,720	98,275	\$ 6,916,975	89,253
Restricted cash and investments				
Land held for resale				
Due from other funds				
Advances to other funds			269,685	6,336,760
Total assets	<u>2,453,322</u>	<u>140,074</u>	<u>7,186,660</u>	<u>15,739,044</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities				329,743
Due to other funds			166,018	
Deferred revenue			424,909	2,407,481
Total liabilities	<u>-</u>	<u>-</u>	<u>590,927</u>	<u>2,737,224</u>
Fund balances:				
Reserved:				
Encumbrances				36,716
Endowment				
Notes receivable and Advances to Other Funds			6,595,733	4,018,532
Land held for resale				
Major maintenance				
Debt service				
Low and moderate income housing				
Special projects and programs	2,453,322	140,074		8,946,572
Total fund balances	<u>2,453,322</u>	<u>140,074</u>	<u>6,595,733</u>	<u>13,001,820</u>
Total liabilities and fund balances	<u>\$ 2,453,322</u>	<u>\$ 140,074</u>	<u>\$ 7,186,660</u>	<u>\$ 15,739,044</u>

Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Housing Assistance
\$ 693,398	\$ 8,969,235	\$ 147,513	\$ 192,206
138,886	95,488	1,785,734	62,590
		103,464	134,139
<u>832,284</u>	<u>9,064,723</u>	<u>2,036,711</u>	<u>388,935</u>
1,254	290,684	36,320	158,677
		106,814	-
<u>480,372</u>		<u>61,037</u>	
<u>481,626</u>	<u>290,684</u>	<u>204,171</u>	<u>158,677</u>
8,508	679,118		
105,627		1,704,153	
		128,387	
	2,066,247		
<u>236,523</u>	<u>6,028,674</u>		<u>230,258</u>
<u>350,658</u>	<u>8,774,039</u>	<u>1,832,540</u>	<u>230,258</u>
<u>\$ 832,284</u>	<u>\$ 9,064,723</u>	<u>\$ 2,036,711</u>	<u>\$ 388,935</u>

City of Fairfield**Combining Balance Sheet****Non-Major Governmental Funds****June 30, 2003**

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
	<u>General Obligation</u>	<u>Assessment & Improvement Districts</u>	<u>Outreach Independence</u>	<u>Total Other Governmental Funds</u>
ASSETS				
Assets:				
Cash and investments	\$ 266,886	\$ 14,693,262	\$ 463,972	\$ 37,015,904
Receivables, net		165,088	4,993	9,576,002
Restricted cash and investments				237,603
Land held for resale				
Due from other funds				
Advances to other funds				6,606,445
Total assets	<u>266,886</u>	<u>14,858,350</u>	<u>468,965</u>	<u>53,435,954</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other current liabilities		358,232		1,174,910
Due to other funds				272,832
Deferred revenue				3,373,799
Total liabilities	<u>-</u>	<u>358,232</u>	<u>-</u>	<u>4,821,541</u>
Fund balances:				
Reserved:				
Encumbrances		222,403		946,745
Endowment			335,375	335,375
Notes receivable and Advances to Other Funds		8,000		12,432,045
Land held for resale				128,387
Major maintenance				2,066,247
Debt service	266,886			266,886
Low and moderate income housing				-
Special projects and programs		14,269,715	133,590	32,438,728
Total fund balances	<u>266,886</u>	<u>14,500,118</u>	<u>468,965</u>	<u>48,614,413</u>
Total liabilities and fund balances	<u>\$ 266,886</u>	<u>\$ 14,858,350</u>	<u>\$ 468,965</u>	<u>\$ 53,435,954</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2003

	Special Revenue			
	State Gas Tax	Public Safety	Home Program	Development Tax
REVENUES:				
Taxes		\$ 314,735		\$ 2,738,459
Property taxes				
Special assessments levied				
Developers' contribution				
Intergovernmental	\$2,074,509	447,955	\$ 474,545	
Investment income	55,998	3,247	14,643	193,905
Miscellaneous			400	
Total revenues	<u>2,130,507</u>	<u>765,937</u>	<u>489,588</u>	<u>2,932,364</u>
EXPENDITURES:				
Current:				
Police		321,612		
Public works				703,807
Community services				111,258
Planning and development			53,799	
Housing				
Redevelopment				
Capital outlay				
Debt service:				
Principal retirement				
Interest				
Fiscal agent fees				
Total expenditures		<u>321,612</u>	<u>53,799</u>	<u>815,065</u>
Revenues over (under) expenditures	2,130,507	444,325	435,789	2,117,299
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt				
Transfers in				
Transfers out	(1,378,919)	(427,872)		(494,629)
Total other financing sources (uses)	<u>(1,378,919)</u>	<u>(427,872)</u>		<u>(494,629)</u>
Net change in fund balances	751,588	16,453	435,789	1,622,670
FUND BALANCES:				
Beginning of year	1,701,734	123,621	6,159,944	11,379,150
End of year	<u>\$2,453,322</u>	<u>\$ 140,074</u>	<u>\$ 6,595,733</u>	<u>\$ 13,001,820</u>

Special Revenue			
Special Programs	Maintenance Districts	Community Development Block Grant	Housing Assistance
	\$2,576,389		
\$1,353,133		\$ 527,335	\$7,222,229
51,116	346,490	46,101	9,696
4,173	28,931	20,377	19,163
<u>1,408,422</u>	<u>2,951,810</u>	<u>593,813</u>	<u>7,251,088</u>
1,219,633		28,720	
71,650	2,391,025	38,922	
		364,629	
74,606		109,877	7,152,392
<u>1,365,889</u>	<u>2,391,025</u>	<u>542,148</u>	<u>7,152,392</u>
42,533	560,785	51,665	98,696
	348,000		
<u>-</u>	<u>348,000</u>	<u>-</u>	<u>-</u>
42,533	908,785	51,665	98,696
<u>308,125</u>	<u>7,865,254</u>	<u>1,780,875</u>	<u>131,562</u>
<u>\$ 350,658</u>	<u>\$8,774,039</u>	<u>\$ 1,832,540</u>	<u>\$ 230,258</u>

City of Fairfield**Combined Statement of Revenues, Expenditures and Changes in Fund Balances****Non-Major Governmental Funds****For the year ended June 30, 2003**

	Debt Service	Capital Projects	Permanent Fund	Total Other Governmental Funds
	General Obligation	Assessment & Improvement Districts	Outreach Independence	
REVENUES:				
Taxes				\$ 3,053,194
Property taxes	\$ 450,740			450,740
Special assessments levied		\$ 967,703		3,544,092
Developers' contribution		390,816		390,816
Intergovernmental				12,099,706
Investment income	2,897	580,573	\$ 19,148	1,323,814
Miscellaneous		8,000		81,044
Total revenues	453,637	1,947,092	19,148	20,943,406
EXPENDITURES:				
Current:				
Police				1,569,965
Public works				3,205,404
Community services			16,432	492,319
Planning and development				128,405
Housing				7,262,269
Redevelopment				-
Capital outlay		1,555,802		1,555,802
Debt service:				
Principal retirement	421,890			421,890
Interest				-
Fiscal agent fees	11,861			11,861
Total expenditures	433,751	1,555,802	16,432	14,647,915
Revenues over (under) expenditures	19,886	391,290	2,716	6,295,491
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt				-
Transfers in		65,000		413,000
Transfers out		(282,958)		(2,584,378)
Total other financing sources (uses)	-	(217,958)	-	(2,171,378)
Net change in fund balances	19,886	173,332	2,716	4,124,113
FUND BALANCES:				
Beginning of year	247,000	14,326,786	466,249	44,490,300
End of year	\$ 266,886	\$ 14,500,118	\$ 468,965	\$ 48,614,413

Internal Service Funds

- **CENTRAL STORES** - To account for the printing, copying, and mail services provided to the various city departments; as well as accounting for public work maintenance supplies for the various City departments.
- **AUTOMOTIVE SERVICES** - To account for automotive services performed for the various City departments as well as accounting for the City's Vehicle Replacement Fund.
- **COMMUNICATION SERVICES** - To account for the charges to the various departments for the use and maintenance of the main power supplies for various communication devices such as hand radios, phones, and computers.
- **INTRAGOVERNMENTAL LOAN** - To account for loans made to City funds or affiliated agencies.
- **INSURANCE** - To account for all insurance activities of the City.
- **PUBLIC BUILDINGS** - To account for the operation of the cogeneration facilities, and major maintenance of the Civic Center complex.

City of Fairfield

Combining Statement of Net Assets**All Internal Service Funds****June 30, 2003**

	Central Stores	Automotive Services	Communication Services
ASSETS:			
Current Assets			
Cash and investments	\$ 267,414	\$ 6,877,497	\$ 2,914,212
Receivables, net	2,639	69,260	28,362
Due from other funds			
Inventory	76,107	335,514	
Prepaid items	11,662		5,599
Total Current Assets	<u>357,822</u>	<u>7,282,271</u>	<u>2,948,173</u>
Noncurrent Assets			
Advances to other funds			
Notes receivable			
Investment in bonds of Redevelopment Agency			
Capital Assets:			
Depreciable buildings, property, equipment and infrastructure, net	<u>3,291</u>	<u>3,604,475</u>	<u>718,034</u>
Total Capital Assets	<u>3,291</u>	<u>3,604,475</u>	<u>718,034</u>
Total Noncurrent Assets	<u>3,291</u>	<u>3,604,475</u>	<u>718,034</u>
Total assets	<u>361,113</u>	<u>10,886,746</u>	<u>3,666,207</u>
LIABILITIES:			
Current Liabilities			
Accounts payable and other current liabilities	4,871	661,104	52,572
Accrued interest payable			
Long-term debt - due within one year			
Total current liabilities	<u>4,871</u>	<u>661,104</u>	<u>52,572</u>
Noncurrent Liabilities			
Claims and judgments payable			
Long-term debt - due in more than one year			
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>4,871</u>	<u>661,104</u>	<u>52,572</u>
NET ASSETS:			
Invested in Capital Assets, net of Related Debt	3,291	3,604,475	718,034
Restricted			
Unrestricted	<u>352,951</u>	<u>6,621,167</u>	<u>2,895,601</u>
Total net assets	<u>\$ 356,242</u>	<u>\$ 10,225,642</u>	<u>\$ 3,613,635</u>

Intra- Governmental Loan	Insurance	Public Buildings	Totals
\$ 8,327,799	\$ 10,277,505	\$ 942,544	\$ 29,606,971
115,026	93,549	9,955	318,791
5,440,447			5,440,447
			411,621
			17,261
13,883,272	10,371,054	952,499	35,795,091
87,884,460			87,884,460
1,443,010			1,443,010
2,950,000			2,950,000
			-
			-
		2,625,294	6,951,094
-	-	2,625,294	6,951,094
92,277,470	-	2,625,294	99,228,564
106,160,742	10,371,054	3,577,793	135,023,655
	158,610	70,527	947,684
		26,614	26,614
		236,674	236,674
-	158,610	333,815	1,210,972
	7,784,900		7,784,900
		2,870,792	2,870,792
-	7,784,900	2,870,792	10,655,692
-	7,943,510	3,204,607	11,866,664
			4,325,800
106,160,742	2,427,544	373,186	118,831,191
\$ 106,160,742	\$ 2,427,544	\$ 373,186	\$ 123,156,991

City of Fairfield

Combining Statement of Activities and Changes in Net Assets**All Internal Service Funds****For the year ended June 30, 2003**

	Central Stores	Automotive Services	Communication Services
OPERATING REVENUES:			
Charges for services	\$568,424	\$ 2,374,556	\$ 1,285,320
Total operating revenues	<u>568,424</u>	<u>2,374,556</u>	<u>1,285,320</u>
OPERATING EXPENSES:			
Material and supplies	263,763	810,252	215,874
Operating and maintenance	200,883	801,924	554,926
General and administrative	94,292	131,122	223,948
Premiums/provision for insurance claims			
Depreciation	3,291	623,464	270,674
Total operating expenses	<u>562,229</u>	<u>2,366,762</u>	<u>1,265,422</u>
Operating Income	<u>6,195</u>	<u>7,794</u>	<u>19,898</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	10,419	215,952	112,005
Interest expense			
Intergovernmental revenue (expense)			
Other revenue (expense)		44,280	
Total nonoperating revenues (expenses)	<u>10,419</u>	<u>260,232</u>	<u>112,005</u>
Income (loss) before operating transfers	<u>16,614</u>	<u>268,026</u>	<u>131,903</u>
Transfers:			
Transfers in			228,000
Transfers out			
Total operating transfers	<u>-</u>	<u>-</u>	<u>228,000</u>
Net Income (loss)	<u>16,614</u>	<u>268,026</u>	<u>359,903</u>
NET ASSETS:			
Beginning of year	339,628	9,957,616	3,253,732
End of year	<u>\$356,242</u>	<u>\$10,225,642</u>	<u>\$ 3,613,635</u>

<u>Intra- Governmental Loan</u>	<u>Insurance</u>	<u>Public Buildings</u>	<u>Totals</u>
<u>\$ 9,984,236</u>	<u>\$1,292,970</u>	<u>\$896,327</u>	<u>\$ 16,401,833</u>
<u>9,984,236</u>	<u>1,292,970</u>	<u>896,327</u>	<u>16,401,833</u>
		524,561	1,814,450
		264,411	1,822,144
8,472	323,223	84,810	865,867
	3,570,727	6,094	3,576,821
		80,306	977,735
<u>8,472</u>	<u>3,893,950</u>	<u>960,182</u>	<u>9,057,017</u>
<u>9,975,764</u>	<u>(2,600,980)</u>	<u>(63,855)</u>	<u>7,344,816</u>
450,288	350,014	46,620	1,185,298
		(77,423)	(77,423)
59,400			59,400
			44,280
<u>509,688</u>	<u>350,014</u>	<u>(30,803)</u>	<u>1,211,555</u>
10,485,452	(2,250,966)	(94,658)	8,556,371
99,764,384	1,832,000	120,000	101,944,384
<u>(4,089,094)</u>			<u>(4,089,094)</u>
<u>95,675,290</u>	<u>1,832,000</u>	<u>120,000</u>	<u>97,855,290</u>
106,160,742	(418,966)	25,342	106,411,661
-	2,846,510	347,844	16,745,330
<u>\$106,160,742</u>	<u>\$2,427,544</u>	<u>\$373,186</u>	<u>\$123,156,991</u>

City of Fairfield**Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2003**

	Central Stores	Automotive Services	Communication Services
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 568,424	\$ 2,374,556	\$ 1,285,320
Payments to suppliers	(505,876)	(1,052,297)	(751,416)
Payments to employees	(83,862)	(694,750)	(213,548)
Payments for Interfund Services Used		(10,614)	(12,471)
Net cash provided by operating activities	(21,314)	616,895	307,885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Receipt of Intergovernmental lease revenue			
Transfers in			228,000
Transfers out			
Net cash provided by (used for) noncapital financing activities	-	-	228,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments			
Interest paid			
Proceeds from sales of capital assets		44,280	
Proceeds from lease financing			
Construction of capital assets			
Purchases of capital assets		(632,557)	
Net cash used by capital and related financing activities	-	(588,277)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	10,419	215,952	112,005
Net cash provided by investing activities	10,419	215,952	112,005
Net increase (decrease) in cash and cash equivalents	(10,895)	244,570	647,890
CASH AND CASH EQUIVALENTS:			
Beginning of year	278,309	6,632,927	2,266,322
End of year	\$ 267,414	\$ 6,877,497	\$ 2,914,212
Reconciliation of Operating Income to Net Cash Provided by (Used for) by Operating Activities:			
Operating income (loss)	\$ 6,195	\$ 7,794	\$ 19,898
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	3,291	623,464	270,674
(Increase) in inventory	(7,834)	(58,156)	
(Increase) decrease in prepaid items	(1,933)		(5,163)
(Increase) decrease in advances to other funds			
(Increase) decrease in receivables	(121)	273	(4,940)
Increase (decrease) in accounts payable	(20,912)	43,520	27,416
Increase (decrease) in due from other funds			
Increase (decrease) in claims and judgements payable			
Total adjustment	(27,509)	609,101	287,987
Net cash provided by (used for) operating activities	\$ (21,314)	\$ 616,895	\$ 307,885

Intra- Governmental Loan	Insurance	Public Buildings	Totals
\$ 3,655,647	\$ 1,292,970	\$ 892,934	\$ 10,069,851
(4,188,255)	(1,937,077)	(1,107,226)	(9,542,147)
	(323,223)	(75,054)	(1,390,437)
(8,472)	(41,610)		(73,167)
(541,080)	(1,008,940)	(289,346)	(935,900)
59,400			59,400
12,435,897	1,832,000	120,000	14,615,897
(4,089,094)			(4,089,094)
8,406,203	1,832,000	120,000	10,586,203
		(95,355)	(95,355)
		(58,234)	(58,234)
			44,280
		3,207,583	3,207,583
		(2,088,277)	(2,088,277)
			(632,557)
-	-	965,717	377,440
462,676	348,676	46,621	1,196,349
462,676	348,676	46,621	1,196,349
8,327,799	1,171,736	842,992	11,224,092
-	9,105,769	99,552	18,382,879
\$ 8,327,799	\$ 10,277,505	\$ 942,544	\$ 29,606,971
\$ 9,975,764	\$ (2,600,980)	\$ (63,855)	\$ 7,344,816
		80,306	977,735
			(65,990)
			(7,096)
(6,142,810)			(6,142,810)
140,000		(3,755)	131,457
(1,344)	144,379	(302,042)	(108,983)
(4,512,690)			(4,512,690)
	1,447,661		1,447,661
(10,516,844)	1,592,040	(225,491)	(8,280,716)
\$ (541,080)	\$ (1,008,940)	\$ (289,346)	\$ (935,900)

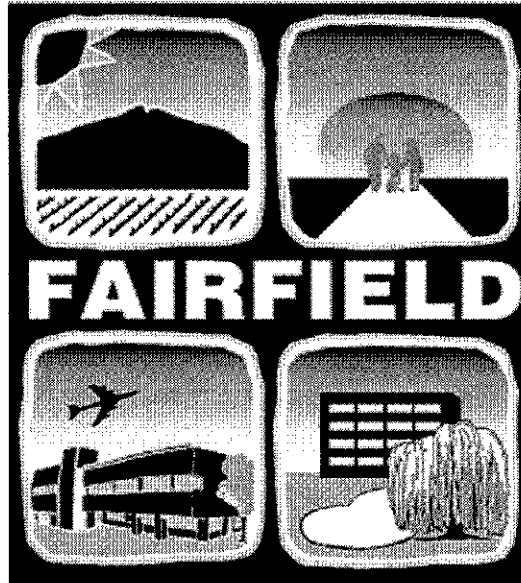
HEART OF SOLANO COUNTY



C A L I F O R N I A

***Combining Financial Statements
Government Activities by Fund Type***

HEART OF SOLANO COUNTY



C A L I F O R N I A

General Fund

The General Fund is used to account for sources and uses of financial resources applicable to the general government operations of the City of Fairfield.

The General Fund consists of the following sub-funds:

- General Fund, which accounts for all general operating revenues and expenditures which are not restricted as to use.
- Redevelopment General Fund, which accounts for interest bearing advances from the City to the Redevelopment Agency.
- Budget Augmentation Fund, which accounts for savings from PERS retirement costs and any state fiscal aid to partially offset the impact of property taxes taken by the state from local agencies.
- Community Services Grants, which accounts for cultural arts awards made to groups outside City government.

City of Fairfield

Balance Sheet**General Fund****June 30, 2003**

Assets:

Cash and investments	\$ 21,984,138
Receivables, net	2,680,904
Advances to other funds	<u>405,161</u>

Total Assets	<u><u>25,070,203</u></u>
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Liabilities and Fund Balance:**Liabilities:**

Accounts payable and other current liabilities	1,078,820
Deferred revenues	<u>405,161</u>

Total Liabilities	<u>1,483,981</u>
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Fund Balance:

Reserved for:	
Encumbrances	2,771,668
Unreserved:	
Designated for operations	500,000
Designated for subsequent years' expenditures	4,449,056
Unreserved	<u>15,865,498</u>

Total Fund Balance	<u>23,586,222</u>
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Total Liabilities and Fund Balance	<u><u>\$ 25,070,203</u></u>
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City of Fairfield

General Fund**Statement of Revenues, Expenditures, and Changes in
Fund Balance****For the Year Ended June 30, 2003**

Revenues:

Taxes	\$ 25,216,726
Property taxes	7,057,462
Licenses, permits and fines	4,281,436
Intergovernmental	6,403,371
Charges for services	4,509,095
Investment income	1,727,761
Miscellaneous	4,076,274

Total Revenues	<u>53,272,125</u>
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Expenditures:

Current:	
Administrative	1,761,294
Human resources	673,262
Finance	2,070,840
Police	15,949,083
Fire	7,538,499
Public works	10,233,125
Community services	5,874,560
Planning and development	1,050,053
Non-departmental	1,331,303

Total Expenditures	<u>46,482,019</u>
--------------------	-------------------

Excess Revenues Over (Under) Expenditures	<u>6,790,106</u>
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Other Financial Sources (Uses):

Transfers in	737,306
Transfers out	<u>(2,980,677)</u>

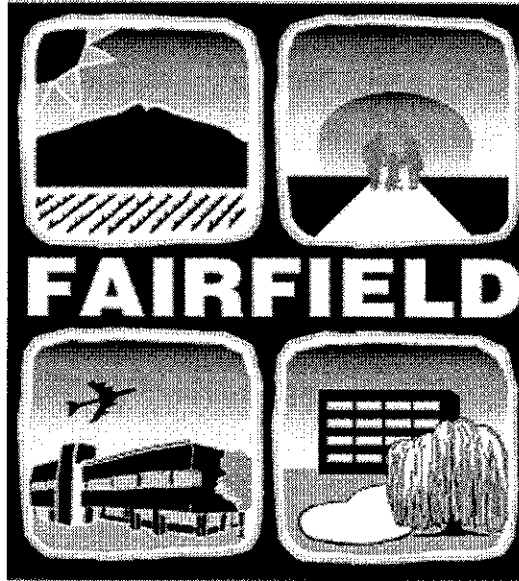
Total Other Financing Sources (Uses)	<u>(2,243,371)</u>
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Excess of Revenues and Other Sources Over (Under) Expenditures and Other Sources (Uses)	4,546,735
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Fund Balance - Beginning of Year	<u>19,039,487</u>
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Fund Balance - End of Year	<u><u>\$ 23,586,222</u></u>
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HEART OF SOLANO COUNTY



C A L I F O R N I A

Special Revenue Funds

- **STATE GAS TAX** - To account for monies received and expended from State Gas Tax allocation to cities.
- **PUBLIC SAFETY** - To account for monies: received and expended from fines paid to the City under the State Motor Vehicle Code; and monies received and expended under Proposition 172, which is a half-cent increase on the State sales tax rate earmarked for public safety services.
- **HOME PROGRAM** - To account for monies received and expended under the Home Investment Partnerships Program (HOME). Funds are provided by the Federal Government and passed through the State of California.
- **DEVELOPMENT TAX** - To account for monies received from taxes levied by the City on new residential construction based on the number of bedrooms in each unit, square footage of all new commercial construction and units of residential construction. City ordinance restricts these monies to funding construction, major maintenance and debt service for park, street, drainage and public safety facilities.
- **SPECIAL PROGRAMS** - To account for monies received from Federal, State and City grants and for monies received and expended from the Redevelopment Agency for revitalizing the central business district. State grants include a housing revolving loan program.
- **MAINTENANCE DISTRICTS** - To account for maintenance districts monies received from taxes levied on property owners located within the districts.
- **LOW/MODERATE INCOME HOUSING** - To account for monies received and expended by the Redevelopment Agency for financing development and rehabilitation of low and moderate income housing units, including related loan programs.
- **COMMUNITY DEVELOPMENT BLOCK GRANT** - To account for monies received and expended by the City as a participant in the Federal Community Development Block Grant program, including accounting for activity related to the revolving loan fund program.
- **HOUSING ASSISTANCE** - To account for monies received and expended in housing assistance to low and moderate income families. Funds are provided by receipts from the Federal Section 8 Housing and Urban Development (HUD) program.

City of Fairfield

**Combining Balance Sheet
All Special Revenue Funds
June 30, 2003**

	State Gas Tax	Public Safety	Home Program	Development Tax
Assets:				
Cash and investments	\$ 2,234,602	\$ 41,799		\$ 9,313,031
Receivables, net	218,720	98,275	\$ 6,916,975	89,253
Due from other funds				
Advances to other funds			269,685	6,336,760
Restricted cash and investments				
Land held for resale				
Total assets	<u>2,453,322</u>	<u>140,074</u>	<u>7,186,660</u>	<u>15,739,044</u>
Liabilities:				
Accounts payable and other current liabilities				329,743
Due to other funds			166,018	
Advances from other funds				
Deferred revenue			424,909	2,407,481
Total liabilities	<u>-</u>	<u>-</u>	<u>590,927</u>	<u>2,737,224</u>
Fund balances:				
Reserved for:				
Encumbrances				36,716
Notes receivable and Advances to other Funds			6,595,733	4,018,532
Land held for resale				
Major maintenance				
Low and moderate income housing				
Specific projects and programs	2,453,322	140,074		8,946,572
Total fund balances	<u>2,453,322</u>	<u>140,074</u>	<u>6,595,733</u>	<u>13,001,820</u>
Total liabilities and fund balances	<u>\$ 2,453,322</u>	<u>\$ 140,074</u>	<u>\$ 7,186,660</u>	<u>\$ 15,739,044</u>

Special Programs	Maintenance Districts	Low/Mod Income Housing	Community Development Block Grant	Housing Assistance	Totals
\$ 693,398	\$ 8,969,235	\$ 12,065,739	\$ 147,513	\$ 192,206	\$ 33,657,523
138,886	95,488	8,145,528	1,785,734	62,590	17,551,449
		106,814			106,814
		337,692			6,944,137
			103,464	134,139	237,603
		3,303,623			3,303,623
<u>832,284</u>	<u>9,064,723</u>	<u>23,959,396</u>	<u>2,036,711</u>	<u>388,935</u>	<u>61,801,149</u>
1,254	290,684	215,064	36,320	158,677	1,031,742
			106,814		272,832
		269,685			269,685
<u>480,372</u>		<u>1,364,233</u>	<u>61,037</u>		<u>4,738,032</u>
<u>481,626</u>	<u>290,684</u>	<u>1,848,982</u>	<u>204,171</u>	<u>158,677</u>	<u>6,312,291</u>
8,508	679,118	148,478			872,820
105,627		7,123,909	1,704,153		19,547,954
		3,303,623			3,303,623
	2,066,247				2,066,247
		11,534,404			11,534,404
<u>236,523</u>	<u>6,028,674</u>		<u>128,387</u>	<u>230,258</u>	<u>18,163,810</u>
<u>350,658</u>	<u>8,774,039</u>	<u>22,110,414</u>	<u>1,832,540</u>	<u>230,258</u>	<u>55,488,858</u>
<u>\$ 832,284</u>	<u>\$ 9,064,723</u>	<u>\$ 23,959,396</u>	<u>\$ 2,036,711</u>	<u>\$ 388,935</u>	<u>\$ 61,801,149</u>

City of Fairfield

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - All Special Revenue Funds
For the Year Ended June 30, 2003**

	State Gas Tax	Public Safety	Home Program	Development Tax
Revenues:				
Taxes		\$ 314,735		\$ 2,738,459
Property taxes				
Special assessments levied				
Intergovernmental	\$ 2,074,509	447,955	\$ 474,545	
Investment income	55,998	3,247	14,643	193,905
Miscellaneous			400	
Total Revenues	2,130,507	765,937	489,588	2,932,364
Expenditures:				
Current:				
Police		321,612		
Public works				703,807
Community services				111,258
Planning and development			53,799	
Housing				
Redevelopment				
Total Expenditures	-	321,612	53,799	815,065
Excess of Revenues Over (Under) Expenditures	2,130,507	444,325	435,789	2,117,299
Other Financing Sources (Uses):				
Proceeds from borrowing				
Transfer in				
Transfer out	(1,378,919)	(427,872)		(494,629)
Total Other Financing Sources (Uses)	(1,378,919)	(427,872)	-	(494,629)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	751,588	16,453	435,789	1,622,670
Fund Balances - Beginning of Year	1,701,734	123,621	6,159,944	11,379,150
Fund Balance - End of Year	\$ 2,453,322	\$ 140,074	\$ 6,595,733	\$ 13,001,820

Special Programs	Maintenance Districts	Low/Mod Income Housing	Community Development Block Grant	Housing Assistance	Totals
		\$ 4,592,873			\$ 3,053,194
	\$ 2,576,389				4,592,873
\$ 1,353,133			\$ 527,335	\$ 7,222,229	2,576,389
51,116	346,490	510,458	46,101	9,696	12,099,706
4,173	28,931	247,732	20,377	19,163	1,231,654
1,408,422	2,951,810	5,351,063	593,813	7,251,088	320,776
1,219,633			28,720		1,569,965
71,650	2,391,025		38,922		3,205,404
			364,629		475,887
74,606			109,877	7,152,392	128,405
		1,955,390			7,262,269
1,365,889	2,391,025	1,955,390	542,148	7,152,392	1,955,390
42,533	560,785	3,395,673	51,665	98,696	14,597,320
		325,845			9,277,272
	348,000	300,000			325,845
		(280,000)			648,000
-	348,000	345,845	-	-	(2,581,420)
42,533	908,785	3,741,518	51,665	98,696	(1,607,575)
308,125	7,865,254	18,368,896	1,780,875	131,562	7,669,697
\$ 350,658	\$ 8,774,039	\$ 22,110,414	\$ 1,832,540	\$ 230,258	47,819,161
					\$ 55,488,858

City of Fairfield
**Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances- Budget and Actual
 All Special Revenue Funds
 For the Year Ended June 30, 2003**

	State Gas Tax		
	Budget	Actual	Variance
Revenues:			
Taxes			
Property taxes			
Special assessments levied			
Intergovernmental	\$ 1,816,000	\$ 2,074,509	\$ 258,509
Investment income	55,000	55,998	998
Miscellaneous			
Total Revenues	1,871,000	2,130,507	259,507
Expenditures:			
Current:			
Police			
Public works			
Community services			
Planning and development			
Redevelopment			
Housing			
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	1,871,000	2,130,507	259,507
Other Financing Sources (Uses):			
Proceeds from borrowing			
Transfer in			
Transfer out	(1,830,000)	(1,378,919)	451,081
Total Other Financing Sources (Uses)	(1,830,000)	(1,378,919)	451,081
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 41,000	751,588	\$ 710,588
Fund Balances-Beginning of Year		1,701,734	
Fund Balances-End of Year		\$ 2,453,322	

Public Safety			Home Program		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 314,000	\$ 314,735	\$ 735			-
					-
					-
440,000	447,955	7,955	\$ 474,545	\$ 474,545	-
3,000	3,247	247	14,643	14,643	-
			400	400	-
757,000	765,937	8,937	489,588	489,588	-
332,000	321,612	10,388			-
					-
					-
			53,799	53,799	-
					-
332,000	321,612	10,388	53,799	53,799	-
425,000	444,325	19,325	435,789	435,789	-
					-
					-
(488,000)	(427,872)	60,128			-
(488,000)	(427,872)	60,128	-	-	-
\$ (63,000)	16,453	\$ 79,453	\$ 435,789	435,789	\$ -
	123,621			6,159,944	
	\$ 140,074			\$ 6,595,733	

CITY OF FAIRFIELD
**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
All Special Revenue Funds
For the Year Ended June 30, 2003**

Revenues:	Development Tax		
	Budget	Actual	Variance
Taxes	\$ 2,600,000	\$ 2,738,459	\$ 138,459
Property taxes			-
Special assessments levied			-
Intergovernmental			-
Investment income		193,905	193,905
Miscellaneous			-
Total Revenues	2,600,000	2,932,364	332,364
Expenditures:			
Current:			
Police			-
Public works	767,000	703,807	63,193
Community services	112,000	111,258	742
Planning and development			-
Redevelopment			-
Housing			-
Total Expenditures	879,000	815,065	63,935
Excess of Revenues Over (Under) Expenditures	1,721,000	2,117,299	396,299
Other Financing Sources (Uses):			
Proceeds from borrowing			-
Transfer in			-
Transfer out	(592,000)	(494,629)	97,371
Total Other Financing Sources (Uses)	(592,000)	(494,629)	97,371
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 1,129,000	1,622,670	\$ 493,670
Fund Balances-Beginning of Year		11,379,150	
Fund Balances-End of Year		\$ 13,001,820	

Special Programs			Maintenance Districts		
Budget	Actual	Variance	Budget	Actual	Variance
		-			-
		-			-
		-	\$ 2,561,000	\$ 2,576,389	\$ 15,389
\$ 1,353,133	\$ 1,353,133	-		-	-
51,116	51,116	-	340,000	346,490	6,490
4,173	4,173	-	-	28,931	28,931
1,408,422	1,408,422	-	2,901,000	2,951,810	50,810
1,219,633	1,219,633	-		-	-
71,650	71,650	-	2,437,306	2,391,025	46,281
	-	-		-	-
74,606	74,606	-		-	-
	-	-			-
1,365,889	1,365,889	-	2,437,306	2,391,025	46,281
42,533	42,533	-	463,694	560,785	97,091
		-	348,000	348,000	-
		-			-
-	-	-	348,000	348,000	-
\$ 42,533	42,533	\$ -	\$ 811,694	908,785	\$ 97,091
	308,125			7,865,254	
	\$ 350,658			\$ 8,774,039	

CITY OF FAIRFIELD

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances- Budget and Actual
All Special Revenue Funds
For the Year Ended June 30, 2003**

	Low/Moderate Income Housing		
Revenues:	Budget	Actual	Variance
Taxes			-
Property taxes	\$ 4,564,000	\$ 4,592,873	\$ 28,873
Special assessments levied			-
Intergovernmental			-
Investment income	339,000	510,458	171,458
Miscellaneous	169,000	247,732	78,732
Total Revenues	5,072,000	5,351,063	279,063
Expenditures:			
Current:			
Police			-
Public works			-
Community services			-
Planning and development			-
Redevelopment	2,479,000	1,955,390	523,610
Housing		-	-
Total Expenditures	2,479,000	1,955,390	523,610
Excess of Revenues Over (Under) Expenditures	2,593,000	3,395,673	802,673
Other Financing Sources (Uses):			
Proceeds from borrowing	300,000	325,845	25,845
Transfer in	300,000	300,000	-
Transfer out	(280,000)	(280,000)	-
Total Other Financing Sources (Uses)	320,000	345,845	25,845
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 2,913,000	3,741,518	\$ 828,518
Fund Balances-Beginning of Year		18,368,896	
Fund Balances-End of Year		<u>\$ 22,110,414</u>	

Community Development Block Grant			Housing Assistance		
Budget	Actual	Variance	Budget	Actual	Variance
		-			-
		-			-
		-			-
\$ 527,335	\$ 527,335	-	\$ 7,184,510	\$ 7,222,229	\$ 37,719
	46,101	\$ 46,101		9,696	9,696
	20,377	20,377		19,163	19,163
527,335	593,813	66,478	7,184,510	7,251,088	66,578
28,720	28,720	-			-
38,922	38,922	-			-
364,629	364,629	-			-
		-			-
109,877	109,877	-	7,184,510	7,152,392	32,118
542,148	542,148	-	7,184,510	7,152,392	32,118
(14,813)	51,665	66,478	-	98,696	98,696
		-			-
		-			-
		-			-
-	-	-	-	-	-
\$ (14,813)	51,665	\$ 66,478	\$ -	98,696	\$ 98,696
	1,780,875			131,562	
	\$ 1,832,540			\$ 230,258	

City of Fairfield
**Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances- Budget and Actual
 All Special Revenue Funds
 For the Year Ended June 30, 2003**

	Totals		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 2,914,000	\$ 3,053,194	\$ 139,194
Property taxes	4,564,000	4,592,873	28,873
Special assessments levied	2,561,000	2,576,389	15,389
Intergovernmental	11,795,523	12,099,706	304,183
Investment income	802,759	1,231,654	428,895
Miscellaneous	173,573	320,776	147,203
Total Revenues	22,810,855	23,874,592	1,063,737
Expenditures:			
Current:			
Police	1,580,353	1,569,965	10,388
Public works	3,314,878	3,205,404	109,474
Community services	476,629	475,887	742
Planning and development	128,405	128,405	-
Redevelopment	2,479,000	1,955,390	523,610
Housing	7,294,387	7,262,269	32,118
Total Expenditures	15,273,652	14,597,320	676,332
Excess of Revenues Over (Under) Expenditures	7,537,203	9,277,272	1,740,069
Other Financing Sources (Uses):			
Proceeds from borrowing		325,845	325,845
Transfer in	648,000	648,000	-
Transfer out	(3,190,000)	(2,581,420)	608,580
Total Other Financing Sources (Uses)	(2,542,000)	(1,607,575)	934,425
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 4,995,203	7,669,697	\$ 2,674,494
Fund Balances-Beginning of Year		47,819,161	
Fund Balances-End of Year		\$ 55,488,858	

Debt Service Funds

- GENERAL OBLIGATION - To account for property tax monies and zone of benefit taxes levied for the payment of voter approved debt principal and interest and payment of contractual obligations.
- REDEVELOPMENT AGENCY - To account for tax increment revenue and the payment of all long-term debt incurred by the Agency.
- ASSESSMENT AND IMPROVEMENT DISTRICTS - To account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied. Assessment bonds issued to finance improvements in special assessment districts are secured by liens against the assessed properties. In addition, to account for the repayment of the debt issued by the City's Community Facilities Districts.

City of Fairfield

**Combining Balance Sheet
All Debt Service Funds
June 30, 2003**

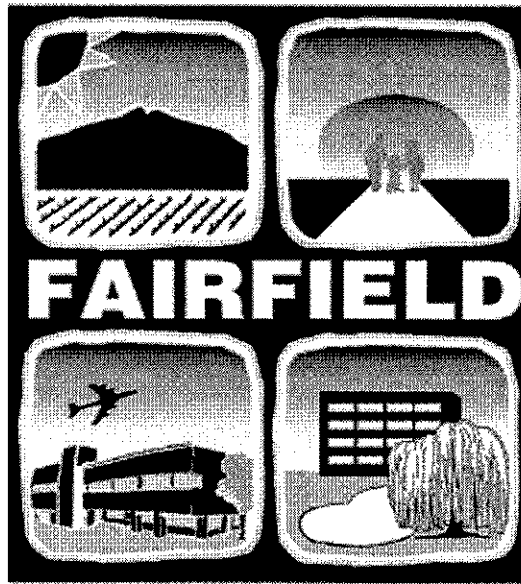
	General Obligation	Redevelopment Agency	Assessment & Improvement Districts	Totals
Assets:				
Cash and investments	\$ 266,886	\$ 3,429,190	\$ 4,412,232	\$ 8,108,308
Receivables, net		3,973,588	9,872,305	13,845,893
Restricted cash and investments		7,627,793	5,858,617	13,486,410
Total Assets	<u>266,886</u>	<u>15,030,571</u>	<u>20,143,154</u>	<u>35,440,611</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities		1,028,148	2,881	1,031,029
Due to other funds		24,315		24,315
Advances from other funds		85,545,951		85,545,951
Deferred revenue		4,265,000	9,761,101	14,026,101
Total Liabilities	<u>-</u>	<u>90,863,414</u>	<u>9,763,982</u>	<u>100,627,396</u>
Fund Balances:				
Reserved for Debt Service	266,886		10,379,172	10,646,058
Unreserved, Undesignated		(75,832,843)		(75,832,843)
Total Fund Balances	<u>266,886</u>	<u>(75,832,843)</u>	<u>10,379,172</u>	<u>(65,186,785)</u>
Total Liabilities and Fund Balances	<u>\$ 266,886</u>	<u>\$ 15,030,571</u>	<u>\$ 20,143,154</u>	<u>\$ 35,440,611</u>

City of Fairfield

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances-All Debt Service Funds
For the Year Ended June 30, 2003**

	General Obligation	Redevelopment Agency	Assessment & Improvement Districts	Totals
Revenues:				
Property taxes	\$ 450,740	\$ 18,371,488		\$ 18,822,228
Special assessments levied			\$ 6,206,124	6,206,124
Investment income	2,897	394,573	355,066	752,536
Miscellaneous		335,247	62,657	397,904
Total Revenues	<u>453,637</u>	<u>19,101,308</u>	<u>6,623,847</u>	<u>26,178,792</u>
Expenditures:				
Current:				
Redevelopment				
Intergovernmental		4,295,526	34,070	4,329,596
Debt Service:				
Principal retirement	421,890	2,664,099	5,410,000	8,495,989
Interest		14,855,797	1,622,837	16,478,634
Fiscal agent fees	11,861	327,527	151,787	491,175
Special assessment payments		611,602		611,602
Total Expenditures	<u>433,751</u>	<u>22,754,551</u>	<u>7,218,694</u>	<u>30,406,996</u>
Excess of Revenues Over (Under) Expenditures	<u>19,886</u>	<u>(3,653,243)</u>	<u>(594,847)</u>	<u>(4,228,204)</u>
Other Financing Sources (Uses):				
Transfer in		1,030,000	209,703	1,239,703
Transfer out		(3,698,678)	(65,000)	(3,763,678)
Total Other Financing Sources	<u>-</u>	<u>(2,668,678)</u>	<u>144,703</u>	<u>(2,523,975)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>19,886</u>	<u>(6,321,921)</u>	<u>(450,144)</u>	<u>(6,752,179)</u>
Fund Balances - Beginning of Year	<u>247,000</u>	<u>(69,510,922)</u>	<u>10,829,316</u>	<u>(58,434,606)</u>
Fund Balances - End of Year	<u>\$ 266,886</u>	<u>\$ (75,832,843)</u>	<u>\$ 10,379,172</u>	<u>\$ (65,186,785)</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Capital Projects Funds

- CITY PROJECTS - These funds have been established to account for current construction projects which include Parks and Recreation, Streets and Highways, Storm Drainage, Public Buildings, Special Projects and Sewer Mains. The primary sources of funding have been the City-levied development taxes, State Gas Tax, Local Transportation Tax, Traffic Safety Fund and temporary loans to projects.
- REDEVELOPMENT AGENCY - To account for financial resources for the construction of infrastructure within the Regional Center, Highway 12, City Center, Cordelia, and North Texas project areas. The primary sources of funding have been proceeds of bonds secured by property tax increment.
- ASSESSMENT AND IMPROVEMENT DISTRICTS - To account for the construction of public improvements deemed to benefit the properties against which special assessments are levied. Activities financed through assessments include street lighting and paving, utility and other general infrastructure improvements. In addition, to account for the activities in the Community Facilities Districts and the Rancho Solano and North Texas Benefit Districts.

City of Fairfield

**Combining Balance Sheet
All Capital Projects Funds
June 30, 2003**

	City Projects	Redevelopment Agency	Assessments & Improvement Districts	Totals
Assets:				
Cash and investments	\$ 32,989,033	\$ 2,615,688	\$ 14,693,262	\$ 50,297,983
Receivables, net	1,851,248	4,449,470	165,088	6,465,806
Prepaid items		91,853		91,853
Land held for resale		12,277,280		12,277,280
Total Assets	34,840,281	19,434,291	14,858,350	69,132,922
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable and other current liabilities	4,117,824	351,085	358,232	4,827,141
Deferred revenue	315,955	2,730,700		3,046,655
Total Liabilities	4,433,779	3,081,785	358,232	7,873,796
Fund Balances:				
Reserved for:				
Encumbrances	6,314,174	395,280	222,403	6,931,857
Notes receivable		1,460,254	8,000	1,468,254
Land held for resale		12,277,280		12,277,280
Special Projects and Programs	24,092,328	2,219,692	14,269,715	40,581,735
Total Fund Balances	30,406,502	16,352,506	14,500,118	61,259,126
Total Liabilities and Fund Balances	\$ 34,840,281	\$ 19,434,291	\$ 14,858,350	\$ 69,132,922

City of Fairfield

Combining Statement of Revenues, Expenditures and Changes in Fund Balances-All Capital Projects Funds For the Year Ended June 30, 2003

	City Projects	Redevelopment Agency	Assessments & Improvement Districts	Totals
Revenues:				
Development fees	\$ 6,349,840			\$ 6,349,840
Special assessments levied			\$ 967,703	967,703
Developers' contributions	175,724		390,816	566,540
Intergovernmental	2,641,708			2,641,708
Investment income	1,295,999	\$ 371,275	580,573	2,247,847
Miscellaneous	98,138	348,367	8,000	454,505
Total Revenues	10,561,409	719,642	1,947,092	13,228,143
Expenditures:				
Current:				
Intergovernmental		600,000		600,000
Administrative		1,610,736		1,610,736
Capital Outlay	12,066,720	1,914,919	1,555,802	15,537,441
Total Expenditures	12,066,720	4,125,655	1,555,802	17,748,177
Excess of Revenues Over (Under) Expenditures	(1,505,311)	(3,406,013)	391,290	(4,520,034)
Other Financing Sources (Uses):				
Gain on sale of property		669,722		669,722
Transfers in	5,524,463	3,698,678	65,000	9,288,141
Transfers out		(750,000)	(282,958)	(1,032,958)
Total Other Financing Sources (Uses)	5,524,463	3,618,400	(217,958)	8,924,905
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,019,152	212,387	173,332	4,404,871
Fund Balances - Beginning of Year	26,387,350	16,140,119	14,326,786	56,854,255
Fund Balances - End of Year	\$ 30,406,502	\$ 16,352,506	\$ 14,500,118	\$ 61,259,126

HEART OF SOLANO COUNTY



C A L I F O R N I A

Permanent Fund Financial Statements

OUTREACH INDEPENDENCE – to account for monies donated to the City and the Friends of the Senior Center for disbursements relating to senior citizen outreach programs.

City of Fairfield

Permanent Fund**Balance Sheet****June 30, 2003**

ASSETS		Outreach <u>Independence</u>
Assets:		
Cash and cash equivalents		\$ 463,972
Receivables, net		<u>4,993</u>
Total assets		<u>468,965</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		
Due to other funds		<u> </u>
Total liabilities		<u> </u>
Fund Balances:		
Reserved for endowment		335,375
Reserved for special projects and programs		<u>133,590</u>
Total fund balances		<u>468,965</u>
Total liabilities and fund balances		<u>\$ 468,965</u>

City of Fairfield

Permanent Fund**Statement of Revenues, Expenditures and
Changes in Fund Balances****For the Year Ended June 30, 2003**

	<u>Outreach Independence</u>
REVENUES:	
Investment income	<u>\$ 19,148</u>
Total revenues	<u>19,148</u>
EXPENDITURES:	
Community services	<u>16,432</u>
Total expenditures	<u>16,432</u>
Revenues over (under) expenditures	2,716
Net change in fund balances	2,716
FUND BALANCES:	
Beginning of year	<u>466,249</u>
End of year	<u>\$ 468,965</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

Agency Funds Financial Statements

- OTHER DEPOSITS - To account for deposits received from outside parties. Some of the large items include deposits for: environmental impact fees and special recreation fees, restitution for crimes committed and donations for the expansion of the Senior Center.
- PAYROLL TRUST - To account for cash transferred from the various funds (expense/expenditures) from which actual cash is remitted to the employees and various agencies.
- SOLID WASTE - To account for the collection and disbursement of the residential garbage service franchise in the City.
- WASTE WATER - To account for the collection and disbursement of sewer service fees to the Fairfield-Suisun Sewer District.
- DOWNTOWN IMPROVEMENT DISTRICT - To account for collections and disbursements of the downtown district established to promote downtown business.
- NORTH TEXAS BUSINESS IMPROVEMENT DISTRICT - To account for collections and disbursements for the North Texas District established to promote the North Texas Business.
- SOLANO ANIMAL CONTROL AUTHORITY - To account for monies for the operation of the Solano Animal Control Authority.
- GREEN VALLEY MAINTENANCE DISTRICT - To account for maintenance district monies received from taxes levied on properties located in Solano County for acquisition of open space and maintenance in Green Valley.
- TRI-CITY-COUNTY REGIONAL PARKS AND OPEN SPACE GROUP - To account for monies contributed from Solano County and the cities of Benicia, Fairfield and Vallejo for the study and development of a coordinated system of recreation and open space between the three cities.
- SOLANO/NAPA REGIONAL PEACE OFFICERS TRAINING ASSOCIATION - To account for monies contributed by the counties of Solano and Napa along with the cities of Fairfield, Benicia, and Vallejo. This fund accounts for the construction and operation of a firing and training facility.
- SOLANO LAND TRUST - To account for monies held on behalf of the Solano Land Trust for purposes of investment of their funds.

City of Fairfield

Agency Funds Combining Balance Sheet

June 30, 2003

	<u>Other Deposits</u>	<u>Payroll</u>	<u>Solid Waste</u>	<u>Wastewater</u>	<u>Downtown Improvement District</u>
ASSETS					
Cash and cash equivalents	\$ 2,553,499	\$ 4,231,406	\$ 180,153	\$ 1,263,156	\$ 16,846
Total assets	<u>2,553,499</u>	<u>4,231,406</u>	<u>180,153</u>	<u>1,263,156</u>	<u>16,846</u>
LIABILITIES					
Deposits payable	2,553,499	4,231,406	180,153	1,263,156	16,846
Total liabilities	<u>\$ 2,553,499</u>	<u>\$ 4,231,406</u>	<u>\$ 180,153</u>	<u>\$ 1,263,156</u>	<u>\$ 16,846</u>

City of Fairfield

Agency Funds Combining Balance Sheet

June 30, 2003

N. Texas Business Improvement District	Solano Animal Control	Green Valley Open Space Maintenance District	Tri-City/County Open Space Maintenance District	Peace Officers Training Association	Solano Land Trust	Totals
<u>\$ 2,007</u>	<u>\$ 43,144</u>	<u>\$ 805,661</u>	<u>\$ 38,389</u>	<u>\$ 2,373,310</u>	<u>\$ 980,199</u>	<u>\$ 12,487,770</u>
<u>2,007</u>	<u>43,144</u>	<u>805,661</u>	<u>38,389</u>	<u>2,373,310</u>	<u>980,199</u>	<u>12,487,770</u>
2,007	43,144	805,661	38,389	2,373,310	980,199	12,487,770
<u>\$ 2,007</u>	<u>\$ 43,144</u>	<u>\$ 805,661</u>	<u>\$ 38,389</u>	<u>\$ 2,373,310</u>	<u>\$ 980,199</u>	<u>\$ 12,487,770</u>

City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003****OTHER DEPOSITS**

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 2,017,345	\$ 3,926,257	\$ 3,390,103	\$ 2,553,499
Total assets	<u>2,017,345</u>	<u>3,926,257</u>	<u>3,390,103</u>	<u>2,553,499</u>
LIABILITIES				
Deposits payable	2,017,345	3,926,257	3,390,103	2,553,499
Total liabilities	<u>\$ 2,017,345</u>	<u>\$ 3,926,257</u>	<u>\$ 3,390,103</u>	<u>\$ 2,553,499</u>

PAYROLL

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 4,761,786	\$ 61,609,707	\$ 62,140,087	\$ 4,231,406
Total assets	<u>4,761,786</u>	<u>61,609,707</u>	<u>62,140,087</u>	<u>4,231,406</u>
LIABILITIES				
Deposits payable	4,761,786	61,609,707	62,140,087	4,231,406
Total liabilities	<u>\$ 4,761,786</u>	<u>\$ 61,609,707</u>	<u>\$ 62,140,087</u>	<u>\$ 4,231,406</u>

City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities****For the Year Ended June 30, 2003****SOLID WASTE**

	<u>Balances</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 181,401	\$ 19,531	\$ 20,779	\$ 180,153
Total assets	<u>181,401</u>	<u>19,531</u>	<u>20,779</u>	<u>180,153</u>
LIABILITIES				
Deposits payable	181,401	19,531	20,779	180,153
Total liabilities	<u>\$ 181,401</u>	<u>\$ 19,531</u>	<u>\$ 20,779</u>	<u>\$ 180,153</u>

WASTEWATER

	<u>Balances</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 1,225,194	\$ 12,429,509	\$ 12,391,547	\$ 1,263,156
Total assets	<u>1,225,194</u>	<u>12,429,509</u>	<u>12,391,547</u>	<u>1,263,156</u>
LIABILITIES				
Deposits payable	1,225,194	12,429,509	12,391,547	1,263,156
Total liabilities	<u>\$ 1,225,194</u>	<u>\$ 12,429,509</u>	<u>\$ 12,391,547</u>	<u>\$ 1,263,156</u>

City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities****For the Year Ended June 30, 2003****DOWNTOWN IMPROVEMENT DISTRICT**

	<u>Balances</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 23,690	\$ 37,763	\$ 44,607	\$ 16,846
Total assets	<u>23,690</u>	<u>37,763</u>	<u>44,607</u>	<u>16,846</u>
LIABILITIES				
Deposits payable	23,690	37,763	44,607	16,846
Total liabilities	<u>\$ 23,690</u>	<u>\$ 37,763</u>	<u>\$ 44,607</u>	<u>\$ 16,846</u>

N. TEXAS IMPROVEMENT DISTRICT

	<u>Balances</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 1,277	\$ 59,443	\$ 58,713	\$ 2,007
Total assets	<u>1,277</u>	<u>59,443</u>	<u>58,713</u>	<u>2,007</u>
LIABILITIES				
Deposits payable	1,277	59,443	58,713	2,007
Total liabilities	<u>\$ 1,277</u>	<u>\$ 59,443</u>	<u>\$ 58,713</u>	<u>\$ 2,007</u>

City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003****SOLANO ANIMAL CONTROL**

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 44,587	\$ 500,058	\$ 501,501	\$ 43,144
Total assets	<u>44,587</u>	<u>500,058</u>	<u>501,501</u>	<u>43,144</u>
LIABILITIES				
Deposits payable	44,587	500,058	501,501	43,144
Total liabilities	<u>\$ 44,587</u>	<u>\$ 500,058</u>	<u>\$ 501,501</u>	<u>\$ 43,144</u>

GREEN VALLEY OPEN SPACE MAINTENANCE DISTRICT

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 722,596	\$ 121,543	\$ 38,478	\$ 805,661
Total assets	<u>722,596</u>	<u>121,543</u>	<u>38,478</u>	<u>805,661</u>
LIABILITIES				
Deposits payable	722,596	121,543	38,478	805,661
Total liabilities	<u>\$ 722,596</u>	<u>\$ 121,543</u>	<u>\$ 38,478</u>	<u>\$ 805,661</u>

City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003****TRI-CITY & COUNTY OPEN SPACE MAINTENANCE DISTRICT**

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 15,930	\$ 41,740	\$ 19,281	\$ 38,389
Total assets	<u>15,930</u>	<u>41,740</u>	<u>19,281</u>	<u>38,389</u>
LIABILITIES				
Deposits payable	15,930	41,740	19,281	38,389
Total liabilities	<u>\$ 15,930</u>	<u>\$ 41,740</u>	<u>\$ 19,281</u>	<u>\$ 38,389</u>

PEACE OFFICERS TRAINING ASSOCIATION

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 762,731	\$ 1,629,757	\$ 19,178	\$ 2,373,310
Total assets	<u>762,731</u>	<u>1,629,757</u>	<u>19,178</u>	<u>2,373,310</u>
LIABILITIES				
Deposits payable	762,731	1,629,757	19,178	2,373,310
Total liabilities	<u>\$ 762,731</u>	<u>\$ 1,629,757</u>	<u>\$ 19,178</u>	<u>\$ 2,373,310</u>

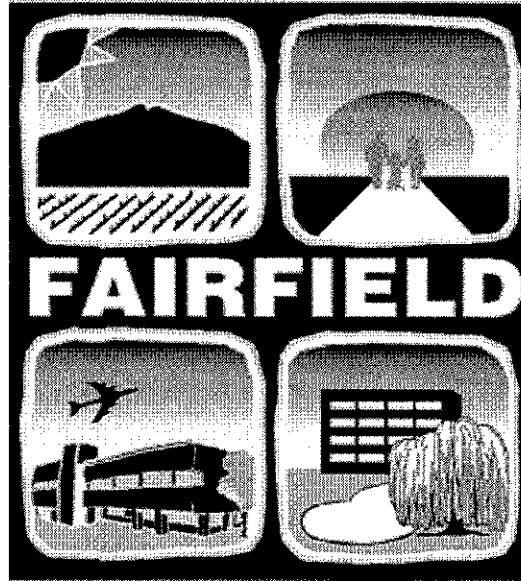
City of Fairfield**Agency Funds****Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2003****SOLANO LAND TRUST**

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,602,001	\$ 621,802	\$ 980,199
Total assets	<u>-</u>	<u>1,602,001</u>	<u>621,802</u>	<u>980,199</u>
LIABILITIES				
Deposits payable		1,602,001	621,802	980,199
Total liabilities	<u>\$ -</u>	<u>\$ 1,602,001</u>	<u>\$ 621,802</u>	<u>\$ 980,199</u>

TOTAL - AGENCY FUNDS

	<u>Balances June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2003</u>
ASSETS				
Cash and cash equivalents	\$ 9,756,537	\$ 81,977,309	\$ 79,246,076	\$ 12,487,770
Total assets	<u>9,756,537</u>	<u>81,977,309</u>	<u>79,246,076</u>	<u>12,487,770</u>
LIABILITIES				
Deposits payable	9,756,537	81,977,309	79,246,076	12,487,770
Total liabilities	<u>\$ 9,756,537</u>	<u>\$ 81,977,309</u>	<u>\$ 79,246,076</u>	<u>\$ 12,487,770</u>

HEART OF SOLANO COUNTY



C A L I F O R N I A

City of Fairfield

**General Governmental Expenditures by Function
Last Ten Fiscal Years**

Table 1

Fiscal Year	Total	General Government	Police/Fire	Public Works	Community Services/ Planning	Debt Service	Capital Improvements
93/94	\$91,438,464	\$ 4,592,524	\$12,963,646	\$9,340,175	\$ 8,940,329	\$40,935,586	\$ 14,666,204
94/95	74,953,117	4,679,150	15,135,287	9,447,488	9,679,808	28,015,004	7,996,380
95/96	84,854,739	4,844,343	15,623,411	10,802,034	15,762,417	29,786,659	8,035,875
96/97	81,869,705	4,370,988	16,643,946	10,335,895	10,292,624	29,451,628	10,774,624
97/98	78,869,419	4,853,786	17,213,718	10,324,237	10,732,807	29,431,530	6,313,341
98/99	86,643,778	6,014,688	18,998,358	10,776,594	13,553,131	29,023,322	8,277,685
99/00	93,568,564	9,389,426	19,218,406	10,907,018	11,735,999	29,777,839	12,539,876
00/01	113,123,225	7,213,694	21,144,286	10,865,391	11,180,259	34,820,253	27,899,342
01/02	110,192,331	7,490,840	22,944,046	15,411,494	13,697,088	25,707,863	24,941,000
02/03	109,250,944	10,166,295	25,057,547	13,438,529	14,807,606	26,077,400	19,703,567

This table includes the General, Special Revenue, Debt Service and Capital Project Funds

Source: City of Fairfield

City of Fairfield

**General Governmental Revenues by Source
Last Ten Fiscal Years**

Table 2

Fiscal Year	Total	Taxes	Licenses and Permits	Investment Income	Inter- Governmental Revenues	Charges for Service	Other Revenue
93/94	\$67,309,960	\$46,784,604	\$ 726,608	\$ 3,066,609	\$ 10,774,437	\$3,911,987	\$2,045,715
94/95	70,021,206	47,780,608	628,566	3,472,002	12,848,058	2,588,552	2,703,420
95/96	72,630,792	48,440,840	1,048,266	3,625,838	12,471,251	4,413,386	2,631,211
96/97	75,449,639	48,673,804	1,415,923	3,378,992	12,824,556	3,848,681	5,307,683
97/98	76,543,193	48,356,275	1,290,253	3,549,089	12,774,213	4,039,275	6,534,088
98/99	93,568,564	9,389,426	19,218,406	10,907,018	11,735,999	29,777,839	12,539,876
99/00	97,342,350	59,757,527	1,486,371	4,293,349	21,048,736	5,290,828	5,465,539
00/01	118,808,997	61,428,832	9,485,781	8,321,518	28,219,016	3,184,613	8,169,237
01/02	116,697,985	62,488,430	14,651,272	7,253,891	21,632,014	4,282,323	6,390,055
02/03	116,572,800	68,492,699	10,631,276	5,978,946	21,144,785	4,509,095	5,815,999

This table includes the General, Special Revenue, Debt Service and Capital Project Funds

* Effective 1986/87, the report includes the Special Assessment District transactions.

Source: City of Fairfield

City of Fairfield

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Table 3

Fiscal Year	Voter-approved Indebtedness Tax Levy (voter debt)	Total Tax Collections (1% + voter debt)	Delinquent Taxes (voter debt only)
93/94	\$ 620,258	\$ 7,746,247	\$ 23,553
94/95	768,730	7,956,260	17,973
95/96	723,211	7,971,100	15,124
96/97	664,311	8,141,909	14,932
97/98	602,598	7,416,275	9,462
98/99	455,736	5,894,884	6,654
99/00	515,552	6,505,314	7,487
00/01	469,473	6,948,300	6,961
01/02	428,110	6,854,926	7,901
02/03	450,740	7,575,706	10,969

Source: City of Fairfield and Solano County Auditor Controller's Office

Article XIII A of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to 1 percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also establishes the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed 2 percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of 2/3 of the qualified electors.

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965/66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance. The delinquent taxes reflect taxes not collected by Solano County but have been remitted to the City, since the City is on the Teeter plan.

City of Fairfield

**Assessed Value of All Taxable Property
Last Ten Fiscal Years**

Table 4

Fiscal Year	Secured Roll	Utility Roll	Unsecured Roll	Gross Assessed Value	Less Exemptions	Net Assessed Value
93/94	\$ 3,800,945,085	\$34,346,470	\$174,381,010	\$4,009,672,565	\$83,987,489	\$3,925,685,076
94/95	3,912,952,524	52,497,622	189,919,671	4,155,369,817	88,014,235	4,067,355,582
95/96	3,981,701,581	54,736,954	182,110,067	4,218,548,602	90,184,323	4,128,364,279
96/97	4,036,446,612	89,223,717	179,169,437	4,304,839,766	90,870,407	4,213,969,359
97/98	4,097,615,617	3,335,976	181,491,983	4,282,443,576	90,940,159	4,191,503,417
98/99	4,227,434,825	80,752,592	200,901,421	4,509,088,838	92,270,714	4,416,818,124
99/00	4,518,091,899	67,652,514	223,145,095	4,808,889,508	91,807,395	4,717,082,113
00/01	4,969,142,933	47,490,903	286,166,873	5,302,800,709	90,852,699	5,211,948,010
01/02	5,542,562,555	27,361,679	332,218,815	5,902,143,049	90,399,205	5,811,743,844
02/03	6,119,538,767	42,569,566	360,903,543	6,523,011,876	95,925,113	6,427,086,763

Source: Solano County Auditor-Controller's Office

City of Fairfield

**Property Tax Rates and Tax Levies for
Direct and Overlapping Governments
Last Ten Fiscal Years****Table 5**

Fiscal Year	City	County	School	Other	Total
TAX RATES (per \$100)					
93/94	0.0158	1.0031	0.0000	0.0240	1.0429
94/95	0.0189	1.0028	0.0000	0.0240	1.0457
95/96	0.0185	1.0027	0.0000	0.0200	1.0412
96/97	0.0166	1.0024	0.0000	0.0200	1.0390
97/98	0.0149	1.0023	0.0000	0.0200	1.0372
98/99	0.0149	1.0000	0.0000	0.0200	1.0349
99/00	0.0141	1.0000	0.0000	0.0200	1.0341
00/01	0.0121	1.0000	0.0000	0.0200	1.0321
01/02	0.0100	1.0000	0.0000	0.0200	1.0300
02/03	0.0095	1.0000	0.0573	0.0200	1.0868
TAX LEVIES					
93/94	\$ 620,258	\$ 39,378,547	\$ -	\$ 942,164	\$ 40,940,969
94/95	768,730	40,787,442	-	976,165	42,532,337
95/96	758,733	41,121,322	-	820,252	42,700,307
96/97	699,519	42,240,070	-	842,794	43,782,383
97/98	624,385	42,001,416	-	838,101	43,463,902
98/99	658,106	44,168,181	-	883,363	45,709,650
99/00	665,109	47,170,821	-	943,416	48,779,346
00/01	630,646	52,199,480	-	1,042,390	53,872,516
01/02	581,174	58,117,438	-	1,162,349	59,860,961
02/03	610,573	64,270,867	3,683,749	1,285,417	69,850,606

Source: Solano County Auditor Controller's Office

The tax rates and levies for all governments are for voter-approved indebtedness only, except that the county figures include a \$1.00 assessed valuation levy for general operations. That levy is imposed countywide and the proceeds are allocated to all other taxing entities in accordance with a formula established by State law pursuant to AB8 of 1979.

City of Fairfield

**Percent of Net General Bonded Debt to Assessed Value and
Net Bonded Debt per Capita****Last Ten Fiscal Years****Table 6**

Fiscal Year	Net Bonded Debt	Net Assessed Value	Percent of Net Bonded Debt to Assessed Value	Population	Net Bonded Debt Per Capita
93/94	\$ 18,128,376	\$ 3,925,685,076	0.46	86,514	210
94/95	17,606,486	4,067,355,582	0.43	87,700	201
95/96	17,606,486	4,128,364,279	0.43	87,772	201
96/97	16,612,706	4,213,969,359	0.39	89,049	187
97/98	16,190,817	4,191,503,417	0.39	91,600	177
98/99	15,768,927	4,509,088,838	0.35	92,372	171
99/00	15,347,037	4,717,082,113	0.33	95,327	161
00/01	14,925,148	5,211,948,010	0.29	96,178	155
01/02	14,503,258	5,811,743,844	0.25	100,200	145
02/03	14,081,368	6,427,086,763	0.22	102,500	137

Source: City of Fairfield and the Solano County Assessor's Office

City of Fairfield

**Computation of Legal Debt Margin
June 30, 2003**

Table 7

Net Assessed Value	<u><u>\$6,427,086,763</u></u>
Debt Limit (Fifteen Percent of Assessed Value)	<u>964,063,014</u>
Amount of Bonded Debt Applicable to Debt Limit	14,081,368
Less: Exempt from Legal Limit	
Assets Available in Debt Service Fund	<u>266,886</u>
Net Amount of Bonded Debt Applicable to Debt Limit	<u>13,814,482</u>
Legal Debt Margin	<u><u>\$ 950,248,532</u></u>

Source: Solano County Auditor Controller's Office and City of Fairfield

City of Fairfield

**Direct and Overlapping Bonded Debt
As of June 30, 2003****Table 8**

2002/03 Net Assessed Valuation: \$6,427,086,763

	% Applicable	Debt 7/1/03
DIRECT AND OVERLAPPING NOTED DEBT:		
Solano Irrigation District	12.735%	\$ 255,719
Fairfield-Suisun Unified School District	79.214%	35,646,300
Fairfield-Suisun Unified School District Community Facilities District #2	100.000%	3,328,657
Fairfield-Suisun Unified School District Community Facilities District #5	76.471%	30,719,739
Fairfield Municipal Park Facilities District, I.D. No. 1	100.000%	15,090,000
Fairfield Storm Drainage District, I.D. No. 1	100.000%	2,145,000
City of Fairfield 1915 Act Bonds	100.000%	17,720,000
TOTAL GROSS DIRECT & OVERLAPPING TAX & ASSESSMENT DEBT		\$ 104,905,415
Less: Fairfield Storm Drainage District, I.D. No. 1		2,145,000.00
TOTAL NET DIRECT OVERLAPPING TAX & ASSESSMENT DEBT		\$ 102,760,415
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Solano County Certificates of Participation	20.843%	34,337,800
Solano County Board of Education Certificates of Participation	20.843%	843,099
Travis Unified School District Certificates of Participation	26.192%	3,419,366
City of Fairfield - General Fund Obligations	100.000%	3,040,000 (1)
Fairfield-Suisun Unified School District Certificates of Participation	79.214%	1,635,769
TOTAL DIRECT & OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$ 43,276,034
GROSS COMBINED TOTAL DEBT		148,181,449 (2)
NET COMBINED TOTAL DEBT		\$ 146,036,449

(1) Excludes tax and revenue anticipation notes

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-noted capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Total Gross Direct & Overlapping Tax & Assessment Debt	1.61%
Total Net Direct & Overlapping Tax & Assessment Debt	1.58%

State school building aid repayable as of 6/30/03: \$0

Source: California Municipal Statistics, Inc.

City of Fairfield

**Percent of Annual Debt Service for General Bonded Debt to
Total General Expenditures
Last Ten Fiscal Years
Table 9**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures Including Debt Service	Percent of Debt Service to General Expenditures
93/94	\$ 415,290	\$ 10,125	\$ 425,415	\$ 91,438,464	0.47%
94/95	521,890	14,375	536,265	74,953,117	0.72%
95/96	521,890	8,625	530,515	84,854,739	0.63%
96/97	471,890	2,875	474,765	81,869,705	0.58%
97/98	421,890	0	421,890	78,869,419	0.53%
98/99	421,890	0	421,890	86,643,778	0.49%
99/00	421,890	0	421,890	93,568,564	0.45%
00/01	421,890	0	421,890	113,123,225	0.37%
01/02	421,890	0	421,890	110,192,331	0.38%
02/03	421,890	0	421,890	109,250,944	0.39%

This table includes the General, Special Revenue and Capital Projects Funds.

Source: City of Fairfield

City of Fairfield

Revenue Bond Coverage**Water Bonds****Last Ten Fiscal Years****Table 10**

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Coverage (%)
93/94	\$ 14,795,875	\$ 6,181,543	\$ 8,614,332	\$ 5,317,074	1.62
94/95	14,984,885	7,011,648	7,973,237	5,330,043	1.50
95/96	17,533,284	7,808,587	9,724,697	6,243,340	1.56
96/97	19,064,346	8,879,750	10,184,596	4,786,982	2.13
97/98	18,861,234	8,887,915	9,973,319	4,315,999	2.31
98/99	19,700,936	10,156,629	9,544,307	4,616,958	2.07
99/00	23,893,538	10,139,293	13,754,245	5,300,930	2.59
00/01	27,133,763	13,195,241	13,938,522	6,404,805	2.18
01/02	27,953,088	13,181,767	14,771,321	6,440,060	2.29
02/03	28,164,910	19,527,431	8,637,479	6,365,417	1.36

Source: City of Fairfield

City of Fairfield
Special Assessments Billed and Collected
Last Ten Fiscal Years

Table 11

Fiscal Year	Assessments Billed	Assessments Collected	Total Outstanding Assessments	Ratio of Assessments Outstanding to Amount Billed
93/94	\$ 11,200,330	\$ 10,122,999	\$ 1,077,331	9.62%
94/95	13,751,413	13,130,892	620,521	4.51%
95/96	9,718,777	9,549,644	169,133	1.74%
96/97	8,165,079	7,187,859	977,220	11.97%
97/98	7,236,082	6,831,067	405,015	5.60%
98/99	7,906,848	7,426,256	480,592	6.08%
99/00	7,799,972	7,364,448	435,524	5.58%
00/01	7,145,381	7,022,159	123,222	1.72%
01/02	7,229,513	7,096,230	133,283	1.84%
02/03	7,138,228	6,968,573	169,655	2.38%

Source: Solano County Auditor Controller's Office

In addition to the City's property tax levies for voter-approved debt, Solano County levies property taxes limited to \$1 per \$100 of assessed valuation for county, city, school and special district operating expenses. This additional property tax levy is distributed to the different governmental agencies under the State mandated alternate method of apportioning taxes (commonly referred to as the "Teeter Plan") whereby all local agencies, including cities, receive from the county 100% of their respective shares of the amount of ad valorem taxes levied, without regard to the actual collection of the taxes levied. This method was placed in effect by Solano County in the 1965-66 tax year and remains in effect unless the County Board of Supervisors orders its discontinuance.

City of Fairfield
Demographic Statistics

Table 12

Year	Population	(1)	Square Miles	(2)	Bank Deposits \$ '000	(3)	Public Schools K-12 (4)		
							Teachers	Enrollment	Average Daily Attendance
1994	86,514		35.54		98,701 *		916	20,349	20,128
1995	87,700		35.71		347,901		950	21,024	21,852
1996	87,772		35.71		387,478		975	20,433	21,182
1997	89,049		36.66		396,432		1,040	20,688	21,290
1998	91,600		36.66		432,228		1,178	21,546	21,455
1999	92,372		36.66		502,733		1,171	21,305	20,987
2000	95,327		36.66		538,300		1,137	22,171	21,382
2001	96,178		36.71		584,676		1,180	22,218	20,797
2002	100,200		36.71		623,060		1,200	22,738	21,601
2003	102,500		36.71		1,122,749		1,158	23,229	22,090

Sources:

- (1) State Department of Finance
- (2) City of Fairfield Department of Public Works
- (3) The Federal Reserve Bank of San Francisco
- (4) Fairfield-Suisun Unified School District

* Deposit for S&L as of 6/30/94; No data for commercial banks available

City of Fairfield

**Building Permits and Taxable Transactions
Last Ten Fiscal Years**

Table 13

Fiscal Year	Building Permit Valuation (\$ in millions)				Number of Building Permits	Taxable Transactions (\$ in thousands)	Number of Sales Tax Permits
	New Single- Family	New Multi- Family Residential	Other	Total			
93/94	\$ 42,747	\$ 1,824	\$ 66,918	\$ 111,489	1,787	\$ 796,237	1,889
94/95	33,522	8,147	28,158	69,827	1,255	841,677	1,893
95/96	55,851	10,815	36,291	102,957	1,750	868,745	1,840
96/97	61,040	27,511	41,853	130,404	1,738	898,886 *	1,809
97/98	52,395	3,911	53,122	109,428	1,618	964,457	1,794
98/99	57,660	0	33,968	91,628	1,590	983,598	1,877 **
99/00	61,796	19,271	43,699	124,766	1,611	1,067,152	1,844
00/01	122,467	1,599	39,594	163,660	1,981	1,221,637	1,866
01/02	124,105	18,617	54,537	197,259	2,190	1,363,352	1,892
02/03	83,696	10,716	45,060	139,472	2,002	1,388,622	1,926

* Data as of December 31, 1996

** Data as of September 30, 1996

Sources: Building Regulation Division (building permit data)
State Board of Equalization

City of Fairfield
Principal Taxpayers

Table 14

Taxpayers	2002/03 Assessed Value*	Percent of 2002/03 Total City Net Assessed Value	Type of Business
Anheuser-Busch, Inc.	\$ 246,185,274	3.83%	Brewery
Solano Mall, LLC	86,965,547	1.35%	Regional Shopping Mall
Schmalbachlubeca PLSCN USA	37,529,517	0.58%	Beverage Containers
SBC Services	34,965,898	0.54%	Utility
Rolling Oaks Apartments Inc.	32,605,173	0.51%	Housing
Silvio & Mary C. Garventa Trust	22,967,013	0.36%	Privately owned
Pinole Row Partnership Limited Partnership	20,523,307	0.32%	Privately owned
J. Brad Lampley	19,645,200	0.31%	Privately owned
Property California LS Corporation	18,699,049	0.29%	Privately owned
Jelly Belly Candy Company	15,502,535	0.24%	Candy
Top 10 Taxpayers Total	<u>\$535,588,513</u>	<u>8.33%</u>	
City Net Total Assessed Value	\$6,427,086,763	100.00%	

Source: Solano County Assessor, 2002/03 Assessment Roll

*Assesseees with parcel(s) totaling \$1,000,000 or more in value.

City of Fairfield
Principal Taxpayers

Table 15

Largest Employers	Number of Employees	Type of Business
Travis Air Force Base	14,112	U.S. Military Base
Fairfield-Suisun Unified School District	3,500	Education
County of Solano	3,000	Government
Northbay Medical Center	1,301	Hospital
Solano Community College	631	Education
City of Fairfield	600	Government
Westamerica Bancorporation	542	Corporate Headquarters
Anheuser-Busch	515	Brewery
Jelly Belly Candy Co.	380	Candy
Macy's	337	Department Store
CA State Compensation Insurance	319	Call Center
MLO Products	275	Nutritional Products
Wal-Mart	260	Department Store
CoPart	250	Corporate Headquarters
Sears	240	Department Store

Source: City of Fairfield Economic Development Department 2002 Survey

City of Fairfield**Schedule of Insurance in Force
For Fiscal Year Ended June 30, 2003****Table 16**

Name of Company	From	To	Type of Coverage	Liability Limits	Annual Premium
PROPERTY & LIABILITY:					
Layered coverage through: United States Fidelity & Guaranty DRE 1540899 Federal Insurance Co. (659-96-69)	7/1/03	6/30/04	Buildings/Contents;	\$300,000,000	\$45,849
Hartford Steam Boiler Ins. FBP 49 09988	7/1/03	6/30/04	COGENERATION PLANT: Prop. damage Bus. interruption Extra expense Hazardous substance	20,000,000 1,000,000 250,000 500,000	9,129
California Joint Powers Risk Mgmt. Auth.	7/1/03	6/30/04	Auto & General Liab.	15,000,000	305,211
SPECIAL EVENTS LIABILITY:					
N/A - coverage only when needed					
Hartford Life & Accident Ins. (Volunteer Fireman's policy) (57-VP-440046)	1/1/03	12/31/03	DISABILITY: 100% disability Partial disability	\$100/week \$50/week	803
C.P.E.I.A.	7/1/03	6/30/04	Excess Workers Comp Employer's liability	Statutory 5,000,000	94,538
HOUSING AUTHORITY:					
National Flood Insurance Company (FL-2-0281-3172-6)	7/18/03	7/17/04	Sr. Complex-Cntr 1101 Union Avenue	88,000 (cont) 220,000 (bldg)	1,210
National Flood Insurance Company (FL-2-0281-3171-8)	7/18/03	7/17/04	Sr. Complex-North 1101 Union Avenue	88,000 (cont) 220,000 (bldg)	1,210
National Flood Insurance Company (FL-2-0281-3173-4)	7/18/03	7/17/04	Sr. Complex-South 1101 Union Avenue	88,000 (cont) 220,000 (bldg)	1,210
National Flood Insurance Company (FL-2-0281-3177-5)	7/18/03	7/17/04	1050 Jefferson	100,000 (cont) 250,000 (bldg)	1,369
HAARP (067PLEF)	10/1/03	9/30/04	G. Liab Employee dishonesty Property	3,000,000 100,000 3,000,000	9,330

Source: City of Fairfield Human Resources/Risk Management

City of Fairfield**Schedule of Insurance in Force
For Fiscal Year Ended June 30, 2003****Table 16**

Name of Company	From	To	Type of Coverage	Liability Limits	Annual Premium
TRANSIT BUSES:					
Clarendon America Insurance XSR39306187	12/01/02	11/30/03	Auto & General Liab.	\$2,000,000	\$154,535
Insurance Company of State Pennsylvania 42024140	12/01/02	11/30/03	Auto & General Liab.	10,000,000	
FAITHFUL PERFORMANCE:					
Western Surety Co. (58244879)	11/16/99	12/2/03	City Clerk	28,000	340 (term)
Western Surety Co. (58244880)	12/7/99	12/2/03	City Treasurer	20,000	340 (term)
Fidelity & Dep. Co. of Maryland	9/15/03	9/14/04	Employee dishonesty/ Faithful performance	1,000,000	8,939

City of Fairfield

Miscellaneous Statistical Data

Table 17

Incorporated:	December 12, 1903	Number Households	32,430
Square Miles:	36.71	Average Household Income	\$67,800
Form of Government:	Council-Manager	Persons/Household	3.16
Elections:	November of odd-numbered years; Mayor and 4 Council- members elected at large	Median Age	31.0
Fire Protection		Public Works:	
Fire Stations (current/proposed)	5	Miles of Streets	249.02
Fire Engines	12	Number of Intersections	1,551
Other Fire Vehicles	18	Total Traffic Signals	62
Fire Personnel - Sworn	53	Miles of Storm Drains	181
Fire Personnel - Non-sworn	8	Miles of Sanitary Sewers	261
ISO Fire Rating Class	#3		
Police Protection:		Water Utility:	
Police Vehicles/Motorcycles	151	Customers (# of accounts)	24,306
Sworn Personnel	103	Average Daily Use (gallons)	19,147,540
Non-sworn Personnel	53	Miles of Water Mains	313
		Fire Hydrants	2,409
		Treatment Plants	2
		Reservoirs (current/proposed)	12
Leisure Services:		City Employees:	
Parks and Park Trails	19	Full-time	531
Park Acreage	771	Part-time	40
Special Community Facilities	10	Temporary	225

Source: City of Fairfield

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

Compliance

We have audited the compliance of the City of Fairfield (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of the auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated October 27, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Oakland, California
October 27, 2003

CITY OF FAIRFIELD

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<u>U.S. Department of Housing and Urban Development (HUD)</u>			
Lower Income Housing	14.855	N/A	\$7,222,229
Community Development Block Grant	14.218 *	N/A	538,762
Passed through the California Department of Housing and Community Development: HOME Funds	14.239	99-HOME-0368	8,035
	14.239	00-HOME-0477	35,531
	14.239 *	01-HOME-0511	507,093
			<hr/> \$8,311,650
<u>U.S. Department of Transportation</u>			
Direct Programs:			
Federal Transit Administration	20.507	CA 90-X598	243,480
	20.507	CA-90-0467	21,150
	20.507	CA-030506	1,653,468
	20.507 *	CA-90-4157	1,571,221
Passed through the California Department of Transportation:			
Surface Transportation Program (STP)	20.205	RPSTPL-6249 (002)	15,691
	20.205	CML-5132 (012)	26,000
	20.205 *	STPL-5132 (013)	153,689
	20.205 *	STPL-5132 (013)	362,000
			<hr/> \$4,046,699
<u>U. S Department of Education</u>			
Passed through the California Department of Education:			
Adult Day Care Food Program (1)	10.558	48-5033-1 N	3,347
			<hr/> \$3,347
<u>National Highway Traffic Safety Association</u>			
Passed through the Bureau of Justice Assistance:			
Local Law Enforcement Block Grant	16.592 *	#2000-LB-BX-1770	16,379
	16.592 *	#2001-LB-BX-3535	22,330
	16.592 *	#2002-LB-BX-2362	69,670
Passed through the California Office of Traffic Safety	20.601	AL0317	28,381
			<hr/> 136,760
Total Federal and State Assistance			<hr/> \$12,498,456

* Major Program as defined by OMB Circular A-133

Note (1) - This is an ongoing grant with no specific award amount.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and Members of City Council
of the City of Fairfield
Fairfield, California

We have audited the basic financial statements of the City of Fairfield (City) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 27, 2003. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Oakland, California
October 27, 2003

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A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the City of Fairfield (City).
2. No reportable conditions relating to the audit of the financial statements are reported in the general purpose financial statements.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in the general purpose financial statements.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule below.
7. The programs tested as major programs include:

Community Development Block Grant	\$538,762	
Home Funds	507,093	
Federal Transit Administration	1,571,221	
Surface Transportation Program	515,689	
Local Law Enforcement Block Grant	108,379	
Total	<u>\$3,241,144</u>	<u>25.93%</u>

The auditee meets the criteria for a low-risk auditee. Consequently, the major programs tested were required to be in the aggregate at least 25% of total federal awards expended.

8. The threshold for distinguishing Types A and B programs was \$374,954.
9. The City was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

CITY OF FAIRFIELD

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS - 2002

There were no findings for the fiscal year ended June 30, 2002